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# **DESIGN OF AN EXPORT PROMOTION SERVICES ORGANIZATION FOR UGANDA**

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**FINAL REPORT**

*Bureau for Global Programs  
U.S. Agency for International Development*

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Bureau for Africa, Office of Operations & New Initiatives  
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## Abbreviations and Currency Equivalents

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### Abbreviations

ANEPP	Agriculture Non-Traditional Export Promotion Project
APDF	Africa Project Development Facility
BOU	Bank of Uganda
BOD	Board of Directors
CMB	Cotton Marketing Board
COMESA	Common Market for Eastern and Southern Africa
EC	European Community
EPADU	Export Policy Analysis and Development Unit
GOU	Government of Uganda
HEAU	Horticultural Exporters Association of Uganda
IDEA	Investing in the Development of Export Agriculture Project
ITC	International Trade Centre
MFEP	Ministry of Finance & Economic Planning
MTI	Ministry of Trade and Industry
NRM	National Resistance Movement
PEC	Presidential Economic Council
PTA	Preferential Trade Area for Eastern and Southern African States
TPO	Trade Promotion Organisation
UEPC	Uganda Export Promotion Council
UES	Uganda Export Services, Ltd.
UIA	Uganda Investment Authority
UMA	Ugandan Manufacturers Association
UNCCI	Uganda National Chamber of Commerce and Industry
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development

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### Currency Equivalents

(At early November 1993)

Currency Unit	Uganda Shilling (U Sh)
US\$1.00	U Sh 1150
U Sh 1,000	US\$0.87

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## **Executive Summary**

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### **Need for High-Quality Export Services**

The promotion of non-traditional exports is an increasingly urgent priority of the Government of Uganda. Uganda's exports have not kept up in real terms over the past two decades, and exports are paying for a rapidly decreasing share of imports. The medium-term development of Uganda depends on developing a sustainable export base.

The response of the Government to this situation has been to remove the policy and regulatory impediments for export production and develop a conducive enabling environment for export activities. While these efforts have resulted in a positive economic environment, exporters remain deterred by a host of problems including lack of market and trade information, production and quality control deficiencies, and the like.

Existing sources of "hands-on" promotional and advisory services do not adequately meet the needs of Ugandan exporters. The public sector Uganda Export Promotion Council (UEPC) is poorly funded, and widely regarded as marginal and ineffective. Better services are provided by various donor-funded projects, such as the Export Policy Analysis and Development Unit (EPADU) of the Ministry of Finance and Economic Planning (MFEP). However, these projects are generally too narrowly focused, do not contribute to the development of a national capacity in export promotion, and are time-bound. There is an acute need for a high-quality, sustainable source of export promotion and development services.

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### **Report Purpose**

This report presents the structure and functions of a new export support service organisation proposed for Uganda. The proposed organisation has been developed to meet the needs of existing and potential Ugandan exporters. This report has been prepared for the Ministry of Trade and Industry (MTI) by a study team comprised of Hugh Doyle (Export Advisor, MTI); Nimrod Waniala (Deputy Director, EPADU); and Kishore Rao (Consultant, The Services Group, provided as technical support by USAID.)

### ***Conditions for Export Success***

The design of this organisation has taken into account the substantial experience with export promotion organisations worldwide. In order to increase the likelihood of success of a country's export promotion efforts, the following conditions must be achieved:

- 
- Export promotion organisations should be largely autonomous with substantial private sector involvement.
  - An adequate policy environment to ensure that exporting is at least as profitable as producing for the home market must be in place.
  - Well trained, highly motivated staff with private sector backgrounds are a must for a well-run organisation.
  - Adequate funding may be made available to allow the organisation to carry out the functions and activities in a professional and consistent manner.
  - The export organisation needs to have a clear mandate and be well focused on its primary activities.
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#### **Current Institutional Environment**

Existing export support service providers do not meet the technical requirements of the full range of emerging and existing Ugandan exporters.

#### ***UEPC***

The public sector UEPC is largely non-operational. This situation has arisen due to the inadequate funding levels, and the ensuing inability of the UEPC to attract motivated and skilled personnel. The clients of the UEPC -- the private sector exporting community -- have a collective poor opinion of the operations and capacity of the organisation, and are requesting that a new export support service mechanism be put in place quickly, to assist in their drive for increased exports. The combination of poor staff, facilities, capabilities and reputation make revitalising the UEPC to provide high-quality export support services, an extremely remote possibility.

A number of service suppliers have emerged to attempt to fill the void left by the non-performance of the UEPC. These tend to be donor project units, and therefore have a limited lifespan and a highly specialised focus.

#### ***Donor Projects***

In addition to its substantial role in the development of a favourable export policy framework, the EPADU project of USAID concentrates on creating new exporting ventures in the high-value horticulture field. The approach is one of integrated support to a prospective project, from farm gate to market. This approach has had some initial success, but is concentrating on a very narrow sectoral slice of potential exporters. EPADU also facilitates access to the services of the Africa Project Development Facility. While effective, strict eligibility requirements limits access to a small group of enterprises.

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Another relatively new service supplier is the consultancy service unit of the Uganda Manufacturers Association (UMA). This is also USAID-funded, and offers project development and advisory services for new projects (including those with an export orientation). These services are limited to UMA membership.

These two service suppliers, together with a number of modest donor projects aimed at specific products, represent the existing capacity in export support services, apart from the private sector consultancy firms, many of whom boast capability in export project development services. These latter firms in the main tend to concentrate on the delivery of services to donor projects in Uganda, in conjunction with overseas contractors, and do not possess specialised knowledge of export marketing. In addition, these firms are charging market consulting rates which are out of range of the majority of current and potential exporters.

*Conclusion*

The void left by the non-performance of the UEPC has not been filled, and there currently exists in Uganda the need for the full range of export support services across all sectors, in order to provide much needed assistance to current and potential exporters.

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*Service Needs of Exporters*

Discussions with private sector firms indicate clearly that the service needs of Ugandan exporters fall into three categories, (a) trade and market information, (b) promotions, and (c) advisory services. These categories mirror very closely the needs of exporters in most developing countries where members of the study team have worked.

*Trade & Market Information*

Detailed knowledge of the operations of a target market for Ugandan produce (distribution channels, pricing structures, profiles of importers, duty and tariff information) is a basic requirement for any exporter. This needs to be available across all sectors of product relevance, and is the basic information which an exporter should be equipped with prior to contemplating exporting activity.

*Promotions*

The capacity to organise Trade Fairs, Trade Missions, and Inward Buyer Events is considered by those interviewed as a vital and necessary component of an export support services organisation. At present, the UEPC attempts this function, but is ineffective due to lack of funds and expertise, and also due to a reliance on donor funds for predetermined events, which is not a satisfactory methodology for targeting events for Ugandan exporters.

*Advisory Services*

Existing and emerging exporters also need discrete inputs of technical assistance to improve their production and supply capability. These inputs assist the firms to adjust the product offerings in line with the requirements of the importing country.

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**Conclusion**

Ugandan exporters urgently require a professional delivery mechanism for export support services, and the three categories identified above are the priority service areas. International experience has shown that the provision of these three services forms the basic functions of most of the successful export support organisations worldwide.

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**Need for a Central Organisation**

The fact that good export support services do not exist in Uganda does not in itself argue for the establishment of a focal point organisation. Other countries have multiple service providers such as National Exporters Associations, Chambers of Commerce, and discrete, donor-funded grants.

However in Uganda, given (a) the lack of a national exporters' association and the weakness of existing trade associations capable of serving as efficient service suppliers; (b) the nascent development of potential exporters in terms of basic business skills and exporting procedures and documentation; and, (c) the need for a conduit to assist exporters to fully utilise the services of large integrated donor projects, the study team believes that a central organisation is required until the private sector has developed to a stage where they can deliver their own requirements.

**Key Considerations**

In designing a central export support services organisation in Uganda, several important factors must be considered:

- support service needs of existing and potential exporters;
- capability and coverage of existing service providers, so as to reduce duplication and overlap;
- particular needs of small and medium enterprises;
- need to refocus import substitution-based manufacturers to the export market;
- need to balance service focus between immediately relevant and longer term export considerations;
- recognition that donor export development projects need to be integrated into the institutional framework.

**Recommended Functional Structure**

Irrespective of the legal status of the new organisation, the internal structure will reflect the service needs of exporters, and functionally be designed to effectively deliver these services. The recommended structure is for an organisation with two principal service divisions: (a)

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Information and Promotions Division; and (b) Advisory Services Division, with support from two units -- the Administration and Finance Unit, and the Policy and Planning Unit. This structure is detailed in Figure 1.

***Information & Promotions***

The Information and Promotions Services Division will provide these services directly to exporters, and will also provide capacity and expertise to the Advisory Services Division. A Walk-In Centre is proposed for this division, which will act as an initial introduction centre for new exporters, and as a screening mechanism to evaluate their company and product readiness to export.

***Advisory Services***

The Advisory Services Division will provide customised technical assistance to exporters on the entire range of technical and marketing matters required to successfully penetrate markets. In the initial years, the division will concentrate on providing advisory services to small firms, and acting as a conduit to the large integrated donor projects, where they exist. The capacity of this division to provide the full range of advisory skills will be built up gradually, and as and when large donor projects are completed, the unit will absorb the capacity of these projects, and will directly enter these sectors offering advisory skills.

***Advocacy***

The organisation will become a central point for the articulation of private sector views on matters of the export policy regime, and will play an important advocacy role to Government on these issues. However, it will not engage in policy formulation activities, *per se*.

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**Linkages with  
Government**

The following institutional linkages are proposed between the company and other organisations in the areas of export development and investment promotion in Uganda.

***Board of Directors***

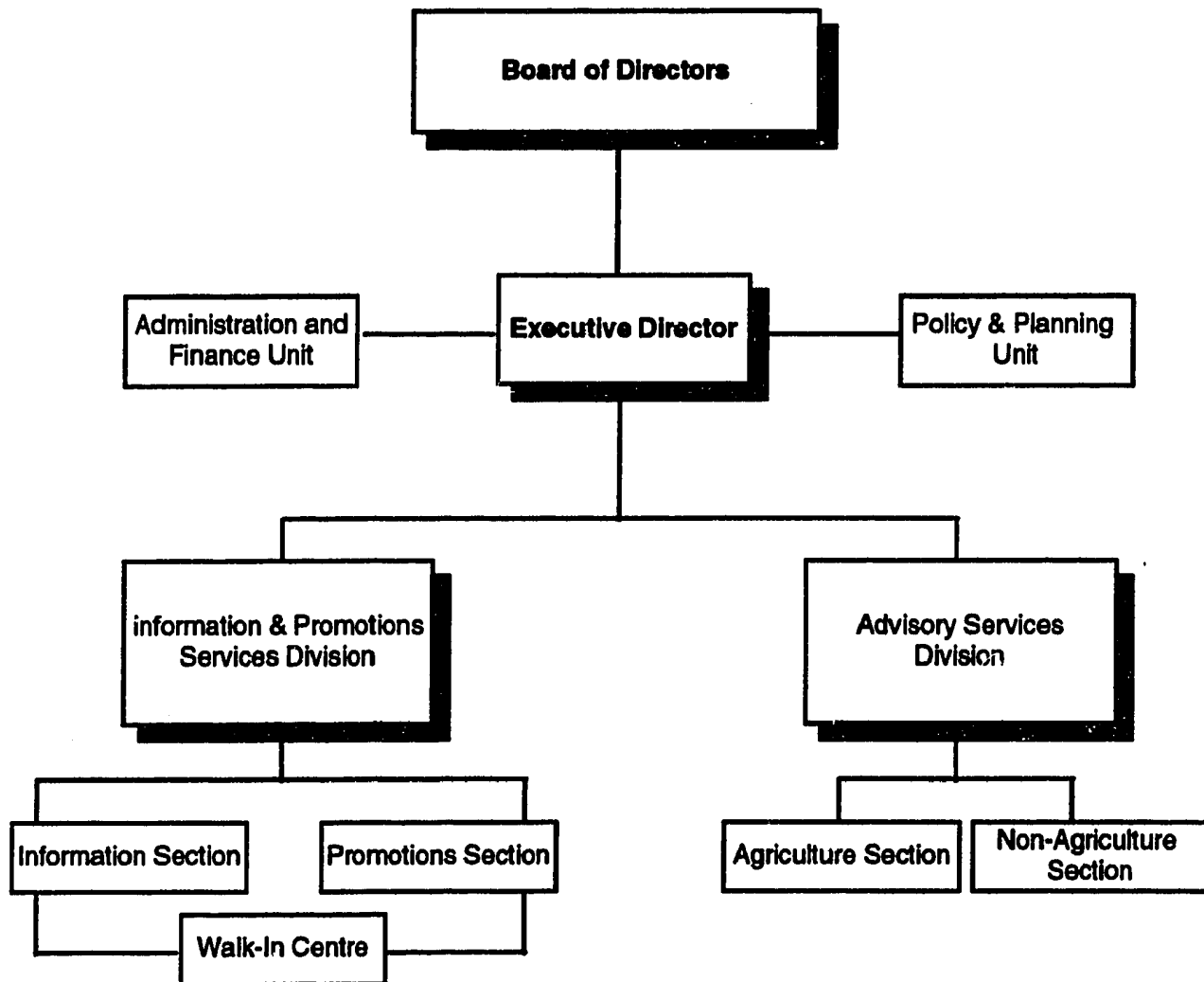
The Board of Directors of the new organisation will consist of the following representatives:

**Government**

Permanent Secretary [or representative], Ministry of Trade and Industry  
Permanent Secretary [or representative], Ministry of Finance and Economic Planning

Permanent Secretary [or representative], Ministry of Agriculture  
Executive Director, Uganda Investment Authority

**Figure 1**  
**Export Services Functions**  
**Organisation Chart**



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### Private Sector

Nominee, Uganda Manufactures Association  
Nominee, Uganda Horticulture Association  
Nominee, Uganda Floriculture Association  
Nominee, Uganda Grain Exporters Associations  
Nominee, Uganda National Farmers Association  
Nominee, Uganda Chamber of Commerce and Industry  
Executive Director, New Company

### *Other Government Bodies*

It is recommended that the Executive Director of the organisation sit at the Presidential Economic Council, along with the Executive Director of the Uganda Investment Authority.

There should be a close relationship and established links between the new organisation and the Uganda Investment Authority. Cross-board membership of each bodies' Executive Director is recommended, as well as cross membership of functional/technical committees. At a later stage, shared information systems and overseas offices are a possibility.

Another important linkage is needed with the Uganda National Bureau of Standards, in collaborating in the setting and enforcement of technical standards for export products. The recommended approach is to hold quarterly forums of senior management personnel of both organisations.

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### **Linkages with Donor Projects**

The issue of linkage to large-scale donor projects is critical. The study team believes that there should be no mandatory requirement for these projects to formally link to the Advisory Services Division of the new organisation. However, we recommend that this division act as a conduit between these projects and the organisation. It is likely that for the foreseeable future, these donor projects will exist with their own internal systems and procedures, and will operate side-by-side with the new organisation. The Advisory Services Division will also provide guidance to donors regarding which sectors are most appropriate for projects, and will therefore play a coordinating role.

### *Technical Counterparts*

It is recommended that the Chief Technical Officer of each of these large donor projects, such as IDEA (USAID) and Silk (EC), base him/herself physically in the new organisation and become a *de facto* member of the division, contributing to overall policy and strategic direction at a multi-sectoral level, in addition to the day to day running of the project. Each major donor project will have a counterpart from the new organisation, in this way capacity will be built and after the project is completed these product-specific advisory services will be delivered by the new organisation.

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**Facilities**

Furthermore it is recommended that donor project capacity in the area of market information systems, libraries, and all other data be established within the Information and Promotions Services Division to allow for cost effective service provision, no overlapping, and eventual capacity-building of expertise and facilities within the new organisation following the ending of the donor projects.

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**Recommended Legal Framework**

To address the large balance of trade gap, and look for rapid export growth, the private sector must play the pivotal role, and the Government provide a conducive and catalytic environment. The legal and institutional nature of a central export service organisation is critical, and whatever is put in place will send a powerful positive signal to the private sector regarding government intentions, policies, and philosophy in regard to export promotion.

**A New Approach**

The study team believes that there exists a unique opportunity for the Government to create an innovative public/private partnership organisation. The Government should now commence the process which will lead to the eventual provision of these services by the private sector, by joining with the private sector to establish a *private company* to carry out these services.

**Recommended Option**

The recommended mechanism is a private company limited by guarantee, a non-share company established under the Companies Act. This company would have the following characteristics:

- Private sector-dominated Board to ensure relevant services are provided to the exporting community.
- Grant Agreement with the Government, where the controls and accountability over the usage of public funds would be clearly spelled out in a legal agreement.
- Grant Agreement with donors, where the donor support for the programs of the company would be detailed with appropriate controls.
- Effective private sector ethos (and salary levels) which would attract experienced and well-motivated staff.
- Private sector and donors have confidence in the company to deliver relevant export support services.
- National priorities would be met in this partnership between private sector and government, and narrow parochial interests would not prevail.

- 
- Easy to set up, as against amending a current Act of Parliament.
  - Would allow for the gradual phasing in of financial support by the private sector to the running of the company, as strength and capacity is built at both firm and association level.
  - Would allow for the initial nominal charging for services and membership fees, which would be gradually raised as the client base experienced an effective delivery of services.
  - This recommended legal delivery mechanism would represent a bold and innovative step by the Ministry of Trade and Industry to provide efficient export support services to the private sector, and to work towards the eventual goal of phasing out government involvement, as the private sector develops the capacity to service it's own requirements.

***Success Prerequisites***

The successful development of this export support services organisation will depend on the achievement of certain factors:

- Confidence of the private sector
- Confidence of donors
- Ability to be established rapidly
- Direct private sector role
- Direct link to Government
- Autonomy
- Accountability of funds

The study team believes that all these conditions will be present in the new company, and fully recommends this legal framework. This report contains a thorough analysis of all the legal framework options considered, each compared to the other.

It is recommended that upon the commencement of operations of the new company, that the UEPC Act be repealed.

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**Conditions to be Fulfilled**

This recommendation is conditional upon the following:

- That the private sector in Uganda come together in a forum to discuss the formation of the new company and commit themselves to participation in the funding. Initially these amounts will be small, and will consist of charges for services provided and membership fees.

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A mechanism will be required to provide for the phased additional commitment over a predefined time period.

- The Government of Uganda to make a legal provision that a predefined percentage of the cess on Imports is allocated to the Grant Agreement for this company. This to be provided directly to the company. This is essential to allow for medium-term planning of operations.
- A set of exporter incentives to be put in place, which establishes "equal footing status" for exporters and which begins the move towards streamlining and simplification of procedures. These would normally include a set of performance-based incentives automatically availed of through the tax code. International experience has shown that unless there is an attractive set of export incentives in place, the efforts of even the most efficient export services organisation are marginal.

The study team recommend that two studies "Exporter Incentives Study" and "Export Processing Zone Study" to be carried out as part of the World Bank proposed Export Promotion and Development Project (EPDP) be undertaken immediately to determine the precise measures necessary for a satisfactory set of exporter incentives.

- Finally, owing to the newness of the legal framework proposed, it is important that all parties be given the opportunity to become familiar with the details of the recommendations on structure and legal framework. The formation of a private company to deliver export support services is new and innovative, and consensus needs to be built.

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## **Workshop on Draft Report**

### ***Objectives***

In the Draft Report, which was circulated in December 1993, the necessity to hold a workshop in Kampala to discuss the various legal framework options considered by the study team was stressed. In particular, given that the above recommended legal framework represented a novel institutional departure for Uganda, it was the view of the study team that a mechanism for debate and consensus building was appropriate. Specifically, the objectives of the workshop were:

- 
- To determine the reaction of the delegates to the recommended (a) functional structure (organization chart), (b) legal framework, and (c) implementation plan for the new organization.
  - To reach consensus on a particular model for the proposed new organization. The involvement of the private sector exporting community in this consensus was considered vital for eventual success.

The workshop was attended by a wide cross section of the private sector exporters and public servants. The majority of the attendees had been interviewed by the study team during the mission. Prior to the workshop all delegates were given copies of the Draft Report.

#### *Decisions Taken*

The workshop, in plenary session, decided as follows:

- (a) That the proposed functional structure as presented by the study team was accepted.
- (b) That the major issue to be decided upon was the Legal Framework, and in order to allow time to concentrate on this topic the breakout groups (as originally envisaged by the workshop program) were cancelled.
- (c) That the Board structure in terms of public/private sector balance, as presented by the study team was accepted. The size of the Board should be kept manageable, with 11 members, consisting mostly of private sector representatives from the major trade associations. There should be 4 public sector representatives and 7 private sector representatives.
- (d) That Representatives of Permanent Secretaries rather than Permanent Secretaries should be the Board members. During the discussion many delegates expressed the view that from their experience Permanent Secretaries generally were extremely busy, and unable to attend to Board duties, as proposed by the study team.
- (e) That the Board would elect from among its members a Chairman. This person would need to have practical export experience in the private sector in Uganda.
- (f) That the Executive Director would be appointed solely by the Board of Directors, who will supervise his or her activities.

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- (g) That the Executive Director would have full powers to independently hire, compensate, discipline and fire staff, in accordance with the guidelines of the organization.
  - (h) That in addition to the study team's recommended legal framework option (detailed above as a private company limited by guarantee), serious consideration should also be given to a Revised Public Statutory Body, i.e. the current Uganda Export Promotion Council legal structure with amendments to the enabling Act of 1983, to accommodate the decisions taken in points (c) to (g) above.

#### ***Final Consensus***

Following the above decisions, delegates debated intently the two legal framework options (full details of these and other options considered are in the main sections of the report) considered viable, i.e., the study team's recommendation, and the Revised Public Statutory Body, as per point (h) above.

The study team's recommendation was considered the best option by the majority of the private sector delegates. However a minority of these delegates felt that the private sector would not make the financial commitment necessary for this option to work, owing to the newness of private sector exporting companies and associations in Uganda.

The Revised Public Statutory Body, was the considered preference by the majority of the public sector delegates, and the argument was repeatedly made that similar organizations had never been properly funded or staffed, and in fact, with appropriate structures for autonomy in operations in place, the organization would perform.

The consensus at the close of the discussion was that the Revised Public Statutory Body was the most workable and implementable option in Uganda at this point in time, but that it should be regarded as a beginning of an evolutionary process towards the study team's recommended private company limited by guarantee, when the private sector would become stronger, more organised, and capable of playing a central role in the funding of such an institution.

#### ***Implementation Plan***

The original Implementation Plan pertaining to the study team's recommended option was presented to the workshop. The delegates accepted this, noting that if the Revised Public Statutory Body was pursued, time to amend the UEPC Act of 1983 would be required.

The reader is reminded that the detailed Implementation Plan section in this report has been constructed on the basis of the study team's recommended legal framework option being accepted. In the event

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that the Revised Public Statutory Body option is pursued, actions detailed under Phase 1 (Approvals and Consensus Building Stage) and Phase 2 (Preparation Phase) referring to (a) the incorporation of the proposed private company, and (b) the obtaining of private sector financial commitments, would be dropped, and substituted by actions to amend the current UEPC Act of 1983.

It is noted by the study team that a sub-committee of the Government of Uganda's Export Development Committee in 1993 examined the UEPC Act of 1983, and made interim recommendations for amendments. These recommendations, which have been examined by the study team, would accommodate most of the decisions of the workshop regarding the operational autonomy of a revised public statutory body.

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**Donor Support**

It is recommended that a donor support project be planned alongside the start-up phase of the new company. This project would have a duration of eighteen months (the length of the start-up phase), and would have two distinct but related components: Operations and Policy.

*Operations*

This element entails the provision of technical assistance to the company. This would take the form of a number of long-term advisors, together with short-term inputs of specialised assistance.

*Policy*

This component would support the initial studies and subsequent implementation programs necessary to produce and make available a set of exporter incentives relevant to the private sector. Prior to the above recommended project, donor assistance should also be provided for the Preparation Phase of the Implementation Plan.

It is recommended that a single donor would be the most efficient solution to support the entire project, both Preparation and Start-Up Phases. However if this does not prove to be possible, then the two components (Operations and Policy) should each have a separate donor.

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**Implementation Plan**

The Implementation Plan detailed in the report recommends that the new organisation begin operations on 1st October 1994. It calls for systematic actions in three areas: further technical and legal analyses necessary to establish and fund the new organisation; analytical and institutional work to design and implement a comprehensive package of export incentives; and a parallel donor project to support the activities of the organisation. The proposed implementation programme is summarised in Figure 2.

**Figure 2**  
**Implementation Plan for New Uganda Export Promotion Council**

Activity	Organisation	STEPS FOR PHASE 1: APPROVALS AND CONSENSUS-BUILDING STAGE	
		1st Quarter 1994	
1. Finalise Strategy	MTI	Hold consensus building workshop	Finalise strategy
2. Approve Structure and Program	MTI, PEC, Cabinet		Approve strategy document and budget commitment
3. Obtain Donor Support	MTI, Donors		Obtain support from USAID, World Bank, other donors
4. Obtain Private Sector Commitments	MTI, Business Associations		
5. Establish Implementation Taskforce	MTI, Private Sector, Others		Establish implementation taskforce

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**Figure 2**  
**Implementation Plan for the New Uganda Export Promotion Council**

Activity	Organisation	STEPS FOR PHASE 2: PREPARATION STAGE	
		2nd Quarter 1994	3rd Quarter 1994
<b>Operations</b>			
1. Undertake Detailed Organisational Planning	Taskforce, Consultants	Establish institutional and legal basis	Prepare Standard Operating Procedures Manual
2. Prepare Strategic Plan for Organisation	Taskforce, Consultants	Prepare initial strategic plan	
3. Approve Strategic and Organisation Plans	Taskforce, MTI, MFEP		Approve strategic plan, articles and memorandum of association
4. Operationalise Organisation	Taskforce		Hire staff, procure premises, lease or purchase equipment
<b>Policy Development</b>			
5. Conduct Export Policy Studies	Taskforce, Consultants, MFEP	Conduct 'equal footing and EPZ export policy studies	Draft export policy legislation
6. Develop Export Incentives Package	MFEP, PEC Taskforce		Review & finalise policy recommendations
			Announce incentives in 1994 Budget
<b>Donor Project</b>			
7. Prepare Long-Term Technical Assistance Project	Donors	Undertake project identification study	Prepare project paper/ staff appraisal report
			Approve 2-3 year project document

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**Figure 2**  
**Implementation Plan for the New Uganda Export Promotion Council**

Activity	Organisation	STEPS FOR PHASE 3: START-UP STAGE (18 MONTHS)		
		4th Quarter 1994		
<b>Operations</b>  <b>1. Launch New Organisation</b>	Taskforce, Other GOU, Donors	Start operations of new body & appoint Board	Test operational systems and internal procedures	Organisation initiates full operations & services
<b>Policy Development</b>  <b>2. Implement Export Incentives Package</b>	Taskforce, MFEP, MTI, Consultants	Draft implementing regulations, forms, and guidelines for operationalisation of EPZ and other export schemes  Conduct study on export procedures constraints	Set-up and/or strengthen GOU body to operationalise export schemes  Initiate sub-projects in identified areas to simplify export & import procedures	
<b>Donor Project</b>  <b>3. Provide Technical Assistance to Support Export Policy Implementation</b>	Donors	Commence Phase I (18 months) of project to provide specialised short- and long-term technical assistance for program support for the export organisation and implement export policy operationalisation		

## Background

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### Introduction

This report presents the structure and functions of a new export promotion organization proposed for Uganda. The proposed organization has been developed to meet the needs of existing and potential Ugandan exporters. It also draws upon the experience of trade promotion bodies worldwide, as well as the promotional efforts of such organizations in Uganda. This consultancy is as a result of a request by the Ministry of Trade and Industry (MTI) to the U.S. Agency for International (USAID) to join in a joint MTI/USAID team to design a new operating structure and legal framework for the Uganda Export Promotion Council (UEPC.)<sup>1</sup>

### Report Organisation

The report is divided into nine sections. The discussion below reviews Uganda's export development programme and existing promotional efforts. The remainder of the report is organised as follows:

- the following section is an institutional analysis of the UEPC to identify organizational effectiveness and operational constraints.
- Section 3 identifies the principal export promotion and informational needs of Ugandan exporters, and reviews the effectiveness of existing export development efforts in meeting them.
- Section 4 outlines the core functions of a new organization and evaluates alternative institutional mechanisms to deliver the proposed services.
- Section 5 reviews the international experience of alternative institutional structures utilised for export promotion.
- Section 6 presents the recommended institutional option.

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<sup>1</sup> The study team consisted of Hugh Doyle, Export Advisor, Ministry of Trade and Industry; Nimrod Waniala, Deputy Director, Export Policy Analysis and Development Unit; and Kishore Rao, Consultant, The Services Group, Inc. The USAID technical assistance is provided under the *Private Enterprise Development Support* project. The prime contractor is Coopers & Lybrand.

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- Section 7 reviews the findings and conclusions of the workshop held in Kampala to discuss the recommendations of the draft report.
  - Section 8 reviews the existing trade policy environment in Uganda, and identifies specific actions to support the activities of the promotional organization.
  - The final section outlines a programme to implement the recommended export development body.

#### ***Acknowledgements***

This report is the result of a unique collaborative effort among representatives of the MTI, EPADU and USAID. It was developed through careful consultation with numerous GOU officials, private sector exporters, and donors. However, the findings and recommendations of the report are solely those of the study team, and do not necessarily represent the views of the Government of Uganda, USAID, or other parties consulted during the course of the study.

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#### **National Export Diversification Programme**

The Government of Uganda is planning a major thrust for the development of non-traditional exports. The export base of the country has deteriorated over the years. Agriculture has traditionally been the main source of exports. While considerable potential exists for expansion of both traditional and non-traditional exports, both agricultural and manufacturing producers face problems in entering the export market in terms of market and trade information; production; quality control; packaging, storage, and handling technology; and, marketing and distribution techniques.

Over the last five years, the GOU has adopted policies to improve the competitive position of firms exporting from Uganda. This has resulted in a considerable upsurge of new export activity in both traditional and non-traditional sectors. However, the productive and institutional capacities for export development remain very inadequate. It is essential to strengthen the capacity of government and the private sector to manage the export development effort. The MTI is responsible for facilitating policy measures and offering institutional support to the private sector in the drive for both export growth and diversification.

In order to further improve the support measures to the private sector for export development, the MTI has recently established a National Export Diversification Programme. This five-year programme has integrated all current and expected government and donor activity in the area of export development. The World Bank, USAID, EC, and UNDP are expected to major donors.

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**Current Institutional Framework for Export Development**

There are two organisations specialising in export promotion and development services currently operating in Uganda: the Uganda Export Promotion Council and the Export Policy Analysis and Development Unit (EPADU.)

***Uganda Export Promotion Council***

The UEPC is the Government of Uganda's central agency for the provision of export promotion services, and was established under the UEPC Act of 1983. The UEPC is supervised by the Ministry of Trade and Industry. The organisation is seen to be ineffective, and has been consistently weak in terms of funding, thus affecting the calibre of staff and programmes, and resulting in poor service delivery to the private sector. A detailed analysis of the organisational effectiveness of the UEPC is set out in Section 2.

***Export Policy Analysis and Development Unit***

EPADU is a USAID-funded project unit of the Ministry of Finance and Economic Planning which was established in 1988 under the Agricultural Non-Traditional Export Promotion Project (ANEPP). The two functions of EPADU are: (a) to recommend policy, regulatory, and infrastructural changes to improve the environment for non-traditional agricultural exporters; and, (b) to directly promote exports by providing hands-on technical advice to current and potential exporters. With regard to policy, this unit has produced a number of trade policy papers which have been influential in the drive for economic liberalisation, and continues to play a project development role focused on non-traditional agricultural products for export.

EPADU has made a positive impact on the development of government trade policy. Its work with exporters has contributed to the success of new entrants into non-traditional product areas such as floriculture and vanilla.

***Other Organisations***

In addition to these two organisations, there are services available on a product-specific basis from a number of donor projects. An example here would be a recent intervention by the EC to develop the silk industry, which will initially concentrate on the export of high quality cocoons. Also, a consultancy unit within the Uganda Manufacturers Association (UMA), funded by USAID, is enhancing the UMA's ability to assist their members with the development of new projects including those aimed at export markets.

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**Rationalisation of Institutional Framework**

The Government decided in 1992 that there was duplication in the provision of export promotion and development services to the private sector. The Cabinet subsequently directed that the development function of EPADU be merged into the UEPC and that the policy function revert to the Ministry of Finance and Economic Planning. However, owing to the operational constraints of the UEPC

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**In terms of funding and the apparent lack of confidence in the organisation by the donor community and private sector exporters, the Cabinet decision has not been implemented.**

**The GOU requested the World Bank to include in its proposed Export Promotion and Development Project a component which would provide funding to establish this organisation as an effective service provider. It was felt that following the establishment of the revamped organisation, the development function of EPADU would merge and operate within the UEPC as the "de facto" Non-traditional Agricultural Products division. This consultancy is the result of a request from the MTI for USAID support to address these issues.**

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## Section 2

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# Uganda Export Promotion Council

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The UEPC was initially established in 1969, however, operations were suspended in 1971 when the Amin regime came to power. It was re-established by Act of Parliament No. 7 in 1983, (Uganda Export Promotion Council Act 1983). It remained non-functional up to 1986, when the NRM government came to power.

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### Responsibilities

The Council is entrusted with the task of promoting exports, particularly the non-traditional sectors. According to the draft Annual Report for the Council for 1993, the UEPC is specifically responsible for:

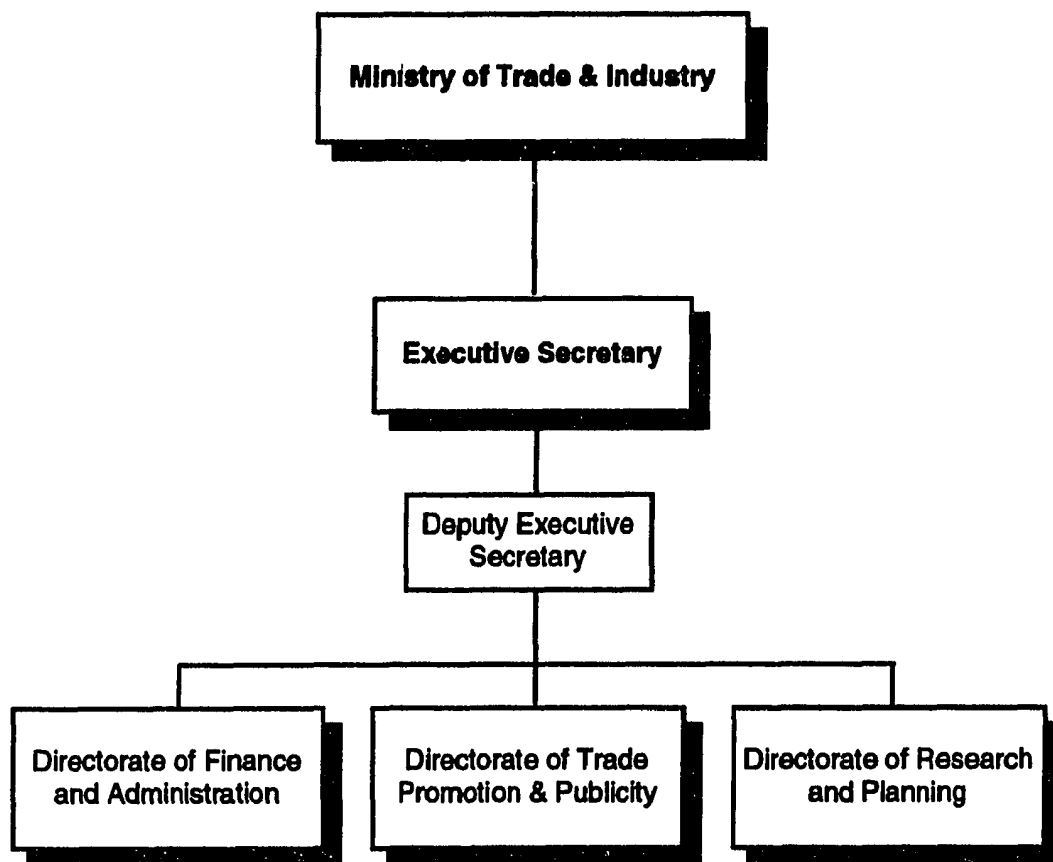
- Gathering and providing market intelligence and research work, including dissemination of trade information, supply and demand studies.
  - Development of new and potential export products through trade fairs and training programs for exporters.
  - Provision of advisory services on production design, quality standards, export financing, market channels, packaging and marketing techniques.
  - Undertaking market surveys.
  - Coordination of export efforts of private and public firms.
- 

### Organisation Structure

Under the provisions of the 1983 Act, the Council (Board) is the governing body of the organisation. This Council is appointed by the Minister of Trade and Industry (formerly Commerce, Industry and Cooperatives), reports to the Minister, and has a duration of three years. The Council consists of a Chairman and not less than seven or more than fourteen other members.

Reporting to this Council is the Executive Secretary, who directs the operations of the organization. As of March 1984, the organisation was structured as three Directorates (see Figure 2.1), as follows:

**Figure 2.1**  
**Uganda Export Promotion Centre**  
**Organisation Structure – 1994**



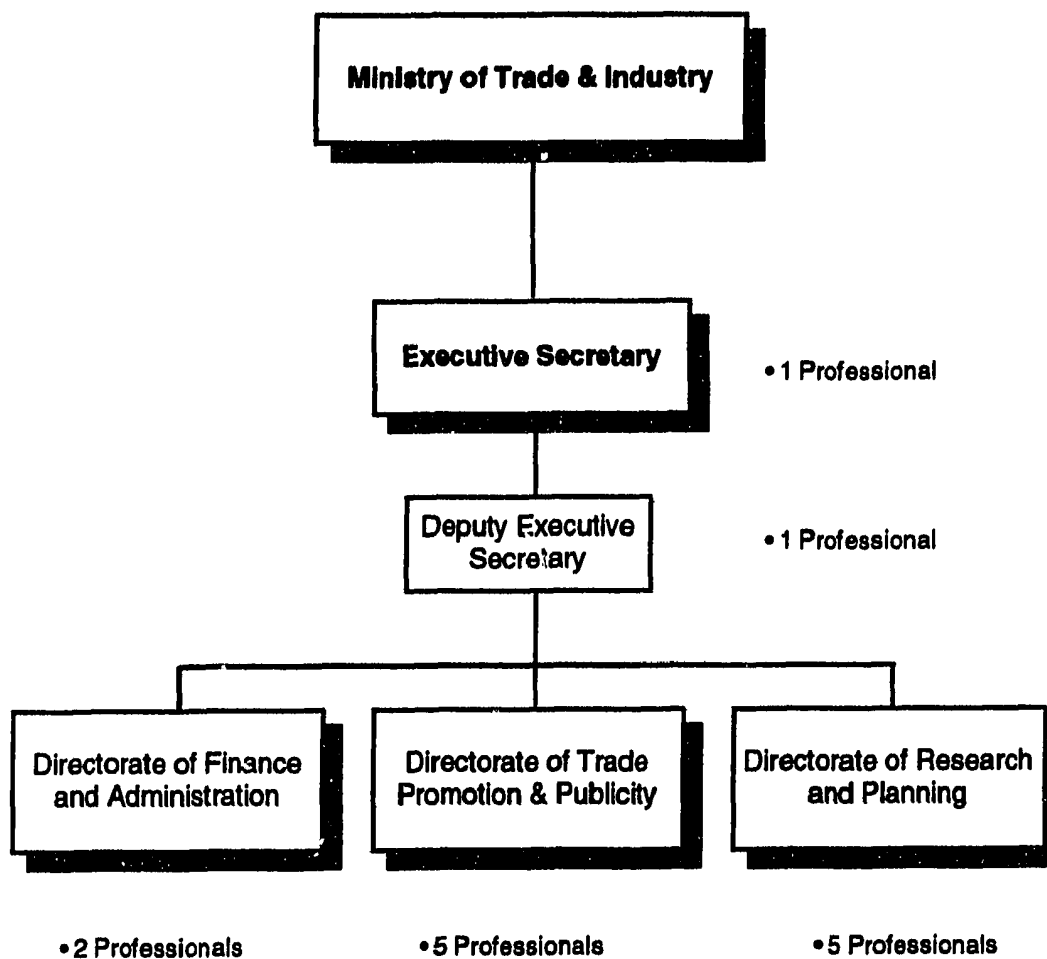
- 
- Directorate of Research and Planning. This Directorate is responsible for the development of supply studies on Ugandan industry, and demand studies on targeted export market sectors. In addition, all matters relating to Trade Policy development are carried out here. Trade Information is also under this Directorate, and a Trade Documentation Centre is operated for exporters.
  - Directorate of Trade Promotion and Publicity. This Directorate is responsible for the coordination of Ugandan participation in regional and extra regional trade fairs, and for organising outward trade missions. It is also responsible for running seminars and workshops to increase the awareness of exporting procedures and requirements in the business community. Advisory Services on all matters relating to exporting are also carried out, and finally this Directorate coordinates the relationships with international agencies such as UNIDO, ITC, EC, etc.
  - Directorate of Finance and Administration. Besides being responsible for the finance and administration of the Council, this Directorate also services incoming delegations from abroad, and provides support services to the functional departments of the organization. This Directorate also serves as the secretariat to the Council.

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#### **Operational Status Since 1986**

The details given above are taken primarily from publications of the Council. These represent a comprehensive set of responsibilities, which paint the picture of a dynamic professional organization spearheading the export effort of the country. The reality is quite different. Since its inception, the organization has never played a central role in the development of non-traditional exports from Uganda. Since 1986 the Government has been unable to allocate any meaningful resources to its operations. The Board has not met since 1987. The staff (see Figure 2.2 for current staffing plan) is inadequately trained to be of assistance to the exporting community, and there exists little useful supporting material. Finally, apart from participation at trade fairs which are generally donor agency funded and selected, there are no resources available to provide exporter support. The organization has one direct phone line, no switchboard, and one operational vehicle. This does not indicate a seriousness on the part of the authorities regarding a role for this organization in the export growth and diversification effort.

**Figure 2.2**  
**Uganda Export Promotion Centre**  
**Staffing Plan**



**Professionals = 13**  
**Support = 8**  
**Total = 21**

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Despite these constraints, the staff continues to attempt to provide a skeletal service to exporters, particularly in the area of trade information and documentation.

As a result of the above, the exporting community has bypassed the organization and utilizes other avenues of expertise to assist its exporting efforts, including donor projects which are well funded and providing support services (albeit on a narrower sectoral basis) which would be more efficient in the long run if centralized in one agency, such as the Council.

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## Funding History

As discussed above, the Council has been operating with inadequate resources. It started with less than five employees and up to now it has only thirteen inadequately trained professional staff. The Council asked for a budget of Ugandan Shillings 32 million in the 1987/88 financial year, but was allocated only 11 million. These funds were only sufficient to meet the salaries of six professionals and some supporting staff. The budget history is detailed below, showing increases each year from 1987/88 to 1992/93. However, these figures are still unfortunately far below the optimum operating budget for a Trade Promotion Organization (TPO) with the set of responsibilities outlined above. In addition the building and equipment is currently totally unsuitable for its role as an export service institution, both being outdated, and capital resources are necessary to recommence operations on a modern professional basis. In particular, the building and its location is unsuitable for the organization.

The budget history of the organization is given below:

1988/89	Shs(UG)	10.98 million.
1988/89	"	23.78 "
1989/90	"	54.34 "
1990/91	"	60.02 "
1991/92	"	115.00 "
1992/93	"	244.42 "

The trend of increases in budgetary allocation each year is laudable, however the absolute amounts are extremely small, and have been until very recently only sufficient to cover operating expenses and salaries. The study team believes the continuation of allocations at these levels is a thorough waste of national resources, as they do not

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reach the critical mass to provide a set of professional and efficient services for the exporter.

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### **1993 Activities**

The current roster of 13 professional and eight support staff continues (under an extremely difficult physical and psychological working environment) to provide a number of services to exporters. This section details the highlights of 1992, as per the draft Annual Report of the Council.

**Trade Promotion & Publicity** Exhibits were mounted at the following International Trade Fairs:

- Berlin Import Fair (Germany)
- Taejon EXPO (Korea)
- Afro-Arab Trade Fair (Tunisia)
- Nairobi International Trade Fair (Kenya)

The Trade Information and Documentation Centre continued to update its stock and circulate its documents and information in the Export Bulletin and national newspapers.

### **Research and Planning**

Owing to budgetary constraints the research activity has been mainly desk research to enhance the counselling of actual and potential exporters. The main aids to this research have been pamphlets from the CBI, ITC, COLEACP, etc. Areas of concentration have been (a) product specifications by market; (b) packaging requirements; (c) pricing information; and, (d) tariff information.

During the year, a preliminary field survey was carried out on industries with export potential. The main aim of this survey was to determine production capacity as against installed capacity, and to examine the quality control systems. Finally, desk research was carried out for prospects for Ugandan exports both to the Middle East and South Africa. In the draft Annual Report 1993, the lack of adequate funding together with the absence of a Council were identified as the major constraints on the organization's ability to fulfil its role.

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### **Donor Support Activities**

The main continuous donor support has come from the European Community and the International Trade Centre (UNCTAD/GATT).

#### **European Community**

Under the provisions of the Lome Convention for ACP (African, Caribbean and Pacific) countries the Council has been receiving support for trade fair participation since 1987. These have usually amounted to two trade fairs a year, and the financial contribution has been limited to stand construction and hire, and the cost of a stand manager. The organization has normally exhibited samples of

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Ugandan companies' products, and on occasion has been accompanied by the companies themselves. These trade fairs are selected normally by the donor, which is a dubious methodology for determining the optimum export target markets for Ugandan products. In 1993 this support was not forthcoming, however Council officials indicated to the study team that they expect it to be restored in 1994.

***International Trade Centre  
(UNCTAD/GATT)***

Project No. UGA/019/90 entitled "Promotion of External Trade" is the main vehicle used by the International Trade Centre to provide technical assistance on a continuous basis to the organization. The project which is valued at US\$896,000 was approved in November 1990, and was of two years duration. However owing to various delays, the project is still not completed, in fact at the time of writing the project is on hold.

The objectives of the project (quoted from the project document) were:

- To formulate an export development and promotion strategy and plan, including (a) individual product market strategies, (b) export incentives necessary to stimulate enhanced export activity, and (c) the establishing of an effective trade information system in the Uganda Export Promotion Council.
- To introduce more efficient import operations systems and techniques for importing by parastatals, and to improve monitoring systems by the Ministry responsible for Trade.

Under this project a Chief Technical Advisor was appointed to oversee all activities. However at this time, this individual has resigned and has not been replaced. This advisor, Dr. W. N. Lyakurwa, produced a report<sup>2</sup> recommending structural changes in the Council, revisions to the UEPC Act 1983, together with an analysis of the constraints to the provision of an effective service to exporters.

During the period November 1991 to November 1992 the following can be reported as achievements under the project:

- Supply studies on simsim and hides and skins.
- Study on the Packing Industry.
- Support to the Council Library (subscriptions).
- Supply of two personal computers, electronic typewriter, fax, and photocopier.

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<sup>2</sup> Export Development and Export Promotion: Report on a mission by Dr. W.N.Lyakurwa, ITC Consultant, May 1990.

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- Training of Council personnel and exporters.
  - Assistance in Trade Fair participation.
  - Formulation of an Export Strategy Document.
  - Studies on export financing and on training needs.

The installation of the Computerized Trade Information System (CTIS) has unfortunately been delayed, and it is understood that installation will not begin until the appointment of a new advisor. Furthermore, the study team understands that the UNDP in Kampala has recommended to the International Trade Centre in Geneva that, pending the decision by the Government of Uganda on this report, project UGA/019/90 is on hold.

#### *Other Donor Support*

There have been various ad hoc donor initiatives with the Council since 1986. The agencies involved were GTZ (Germany), CBI (The Netherlands) and other bilateral programs from European governments. These efforts were minor and normally involved training of personnel.

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#### **Exporters' Viewpoint**

The study team has carried out extensive discussions with private exporters in Uganda regarding the UEPC's export support services. The response has been uniformly negative. This is not surprising given the current operational status of the Council owing to the many constraints facing the organization which have been discussed above.

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#### **Conclusions**

The Council is facing a crisis. Both the exporting community and the staff of the organization itself recognize that the service provided is not adequate. The current constraints could be summarized as follows:

- Lack of adequate funding from Government.
- No Council in place.
- Lack of suitable office equipment and facilities.
- Poorly trained staff.
- Lack of exporter confidence.
- Little donor interest in supporting present institution.
- Outdated Trade Information Centre.
- Minimal private sector experience in staff.

The study team has made recommendations in Sections 4 and 6 regarding an optimal organization structure and legal framework. However, irrespective of which avenue is adopted by the Government of Uganda, the UEPC is not now a suitable basis from which to launch a new or revitalized organization.

## **Export Promotion Service Requirements**

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### **Profile of Existing Export Activity**

Exports from Uganda in 1972 were about US\$260 million with 62 percent from coffee, 20 percent from cotton, 7 percent from tea, 6 percent from copper, 2.5 percent from hides and skins, and 2.5 percent from other categories. At that time the value of exports accounted for about 150 percent of merchandise imports, resulting in a significant surplus on the trade and the current account. By 1991 exports had dropped to about US\$175 million, and in terms of merchandise imports they made up only about 30 percent. Non-traditional exports come to about 17 percent of the 1991 figure. These figures are a reflection of the underlying problem: Uganda's exports have not kept up in real terms over the past two decades, and exports are paying for a rapidly decreasing share of imports over time.

The recorded growth in the non-traditional sector is based on exports of cereals, fish, horticultural products, and small contributions from diverse product areas. The major contributor has been the cereals sector, with the provision of maize and beans (in particular) to the World Food Programme and other aid relief organisations for regional consumption, and simsim to Middle East and other markets. The activity in the horticulture sector is recent, and EPADU is taking the lead in assisting project start-ups for export markets, with roses being the variety of greatest concentration. It is expected that by mid-1994, three medium-scale operators will be producing in marketable quantities for European markets. The development of these projects has been of a turnkey nature.

The Government recognizes that non-traditional products must receive greater proportionate attention in terms of sectoral and microeconomic interventions in order to create the facilitating environment for growth and eventual exports to occur. Sectors such as cereals, horticulture, textiles, leather and leather products, and minerals, require hands-on technical assistance to develop export potential.

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### **Available Services**

Existing services for the current and emerging exporter are minimal. Export promotion services fall into three categories, and the services available in Uganda are described below.

### **Market Information**

Existing services for the current and emerging exporter are minimal. Given the lack of funding from the GOU, the UEPC has been able to

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do little to meet the needs of clients, and has in fact lost any serious client constituency it had. Since April of 1992, basic studies have been conducted on Hides, Skins and Leather, as well as Sesame. Studies are also planned for Mining, Furniture, and Fish. Target markets are seen as the PTA region, Western Europe and the Middle East. However, in general the level of available trade and market information is minimal, and tends to be collected from a number of narrow sources. Moreover, the accuracy of the information available and being disseminated is very questionable. The Library/Information Centre of the organisation is hopelessly inadequate for the serious exporter, although the PTA and ITC trade information data bases are useful.

EPADU does not offer a comprehensive market intelligence service for exporters either. Rather, this organisation concentrates on individual project development mainly in the horticulture sector, with an emphasis on basic project identification and development services. It has only recently published market studies on sectors where Ugandan produce may have a comparative advantage.

Other donor interventions in varied sectors are product-specific, and of no relevance to the general exporter seeking market and trade information. Finally, the UMA consultancy has no capacity in this area.

#### *Promotional Services*

The only visible promotional tool is the UEPC's organising of participation in Trade Fairs by Ugandan companies. However, since it has only been able to attend shows where donor funding has been provided, the Council has not had the flexibility to decide which shows to attend and which products should be promoted. The exercise, therefore, is of very limited interest to the exporting community.

EPADU does not have any capability in the promotional area, concentrating as it does primarily on individual project start-ups. Similarly, apart from the development of an excellent permanent trade fair site in Kampala, the UMA is not able to undertake regional or extra-regional promotional activities.

#### *Advisory Services*

The directing of potential exporters to target markets, and the development of additional markets for existing exporters is the core of an efficient export advisory service to the private sector. This is the area where the UEPC is particularly weak, due to the lack of experienced and trained specialists, and severe funding constraints. While EPADU has developed considerable capacity in this regard, it is limited to the cereal and horticulture sectors, and for the foreseeable future.

With USAID support, the UMA is developing an export advisory services capability. However, this is still at a nascent stage and restricted to UMA members.

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In summary, it is apparent that there exists an urgent need to provide a systematic service to the wide spectrum of current and potential exporters in the three broad categories noted above.

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**Service Needs of Exporters**

Discussions held by the study team with a broad cross-section of current and potential exporters, together with the cumulative experience of the major programmes of export advisory organisations in other countries, point to three major areas of interest to exporters in regard to promotional services from a central government source. These are (a) Trade and Market Information services, (b) Promotional services, and (c) Advisory services. These categories cover a vast array of potential sub-areas, however, the needs of Ugandan exporters, as evidenced by the interviews, are listed below.

***Trade and Market Information Services***

The typical trade and market information needs of existing and potential exporters include:

- Tariffs details for all markets/product sectors;
- General market entry information;
- Specific sectoral profiles of interest;
- Lists of importers by country/sectors of interest;
- Price data from major price-determining centres;
- Market trend analyses of products/sectors/markets of interest;
- Lists of importers operating in competitor African countries;
- Worldwide Trade Fair information;
- Import and Export Procedures and Documentation requirements by country;
- Tracking Data on trade flows by importing country/sector of interest.

***Promotional Services***

Typical services included in this category are:

- National participation at relevant regional and extra-regional trade fairs;
- Sectoral participation at relevant regional and extra-regional trade fairs;
- The organisation of Trade Missions to target countries, particularly sectoral missions;
- The organisation of a series of Inward Buyer missions to meet with Ugandan suppliers;

- 
- The development of a sustained national Promotional Campaign for Uganda in the major target countries.

### ***Export Advisory Services***

Unlike the services listed above -- that are multi-firm in nature, and deliverable in a collective manner -- Advisory Services are customized to meet the specific needs of individual companies. To be effective, these services must take into account the various types of firms, their relative experience in exporting, i.e., their readiness to export. This means that typically, the types of services of benefit to smaller firms and newer exporters are quite different from those of relevance to larger, more established exporters. Export promotion organizations in most countries tend to categorise firms on the basis of export readiness, and it is normally the small and medium enterprises (SMEs) that require the initial basic services. The requirements as expressed by companies in Uganda fall into this "SMEs and others" division. Typical services in this area include:

#### **Small and Medium Firms**

- Basic Business Skills
- Export Documentation
- Export Distribution Channels
- Pricing for Export
- Basic elements of Foreign Trade practice
- General Sector/Market profiles

#### **Other Firms**

- Briefings on target market/sector with full documentation regarding product requirements, standards necessary, pricing spreads, margins information, and tariff classifications.
- Lists of potential buyers and importers of the product/service, with detailed descriptions of their particular channels in the market through to the retail outlets serviced, if appropriate.
- Technical evaluation of the readiness to export of the company's products, with full recommendations regarding the type, amount, and cost of technical assistance require to upgrade production, design, packaging, etc.
- The location and construction of export supply agreements with importers/manufacturers on behalf of the exporter.

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**This list covers needs in the area of Export Promotion and does not cover other very real needs of the exporting community if exporting is to commence in earnest, including:**

- **Package of Export Incentives**
- **Infrastructure improvements**
- **Documentation/Procedures improvements**
- **Availability of Pre-Shipment Credit**
- **Availability of Short and Medium credit**
- **Appropriate Foreign Exchange policy.**

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## **Conclusion**

**The existing institutions in Uganda providing export promotion services are inadequate to fulfil the mission of assisting the private sector to provide the export growth and diversification required by the country, in order to close the balance of trade gap as soon as possible.**

**Notwithstanding the fact that these services tend to be marginal unless the overall trade policy environment is positively conducive to growth, it is necessary to put in place this capacity, alongside these other conditions.**

**The Government must therefore rapidly move to establish the exporter service capacity which will provide these services in the most cost effective and efficient manner.**

## **Recommended Functional Structure**

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### **Need for a Central Organisation**

The fact that good export promotion and development services are not currently available in Uganda does not in itself argue for the establishment of a focal point organisation to provide these services. Drawing upon the experience of other countries, these services could be provided either by a national exporters' association, or through multiple specialised service providers, facilitated by several demand-driven, cost-sharing technical assistance schemes.

While this approach has worked well in other developing countries, it is not a workable solution in the Ugandan context. There is a need for a central organisation to assist emerging exporters for the following reasons:

- the lack of a national exporters' association and the weakness of existing trade associations capable of serving as efficient service suppliers;
- the nascency of potential exporters in terms of basic business skills and familiarisation with exporting procedures and operations, deters the usage of demand-driven technical assistance funds;
- the small number of potential exporters makes the primary need to be the actual creation of start-up firms in non-traditional export areas;
- the total lack of familiarisation of these companies with export marketing owing to the concentration (until recently) of all knowledge of export markets in the hands of the state controlled commodity marketing boards;
- the need for a conduit between the (expected) large-scale donor projects offering technical, financial and marketing assistance. These projects often assume a certain level of organisational development to make their discrete inputs absorbable by clients.

In short, there is to a pressing need in Uganda to "create" exporters, as opposed to providing technical assistance to existing companies that could be truly classified as pre-exporters, and that would have the

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capacity to directly access major export-related technical advisory services. A central organisation is required (until such time as the private sector has developed to a stage where they can direct their own service requirements) to provide linkage and basic business skills services to donor projects.

However, the form and structure of such a transitional organisation should reflect the "lessons learned" from the international experience with TPOs. Recent assessments of TPOs in developing countries<sup>3</sup> conclude that in countries with less than satisfactory export policies, trade promotion organisations manned by public officials have nearly always proved unsatisfactory in providing practical information, assistance, and support services for expanding exports. According to these analyses, effective trade promotion organisations serve as a conduit to specialised technical services, rather than a direct service provider; are private sector directed, outside the civil service; are staffed with professionals; are well-funded, and charge fees for their services.

The proposed export services organisation must act as a transition to the time when the export community will directly access the donor service projects. The organisation should meet the six criteria for effectiveness of export service organisations detailed by the above-referenced studies:

- autonomy in operations;
- confidence from Government and exporters;
- relevant services to exporters;
- representation in the country's major export markets;
- experienced and trained staff;
- sufficient funding.

The design of a new export promotion organisation for Uganda must take into account two inter-related, but separate issues. First, the core functions and operating philosophy of the entity must be clearly defined. Second, the best legal framework and institutional mechanism to deliver the identified functions most effectively needs to be spelled out. The recommended functional structure of the organisation is

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<sup>3</sup> Donald Keasing and Andrew Singer, "Development Assistance Gone Wrong: Failures in Services to Promote and Support Manufactured Exports," and Paul Hogan, "Some Institutional Aspects of Export Promotion in Developing Countries."

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detailed below; the merits and drawbacks of various possible legal/institutional options are discussed in the following section.

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**Suggested Functional Structure**

In designing the structure of this organisation the following considerations were paramount:

- Support service needs of the private sector. In this regard, the study team interviewed a wide cross section of current and potential exporters to determine which were the current unfilled needs, and their relative importance.
- Capability of existing export services providers. Current support service providers in Uganda -- various donor projects, trade associations, institutes and the UEPC itself -- were assessed in order to identify service gaps. The need to develop a variety of suppliers is important and will lead to competition between different suppliers, and to the maintenance of quality standards of product delivery.
- Particular needs of small and medium enterprises. The specific technical requirements of more numerous SMEs -- that are only now emerging -- need to be considered to provide them a basic support service package, prior to being considered "export ready."
- Need to refocus the import substitution manufacturing sector to the export market. The development of COMESA will lead over time to a further opening of trade within the region, and this group, given appropriate policy incentives, can play a major role in penetration of regional markets, and should be supported.
- Need to balance service focus between immediately relevant and long-term considerations. The imperative for targeting services in the most promising export areas must be balanced with the need for consideration of longer term targets, and less immediately relevant areas. The organisation needs to provide generic services -- such as comprehensive trade and market information -- to a wide range of users, as well as customised services.
- Need to integrate donor export development projects in the institutional framework. Clearly, project- and

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sector-specific donor projects will continue, and there is a need to accommodate these into the operations of the organisation to ensure coordination and capacity building.

### *Operating Philosophy*

The operating philosophy of the organisation is that of a pure service provider to the private sector. Through the Board of Directors participation, the private sector will influence the direction and policies, and will ensure the continued relevance of the organisation to service needs.

The organisation will not build up capacity and expertise where it already exists in the environment, and instead will act as a conduit to emerging companies to access the large integrated product specific donor projects. Over time, a capacity to provide support services will be built-up in the organisation.

The organisation will act as an advocate to Government of the views of the exporting community, and a catalyst for the formation of strong trade organisations which will eventually provide a service themselves to their members.

Finally, a philosophy of quality information and advice from an organisation staffed by a professional and motivated staff.

### *Functional Units*

As depicted in the attached organigrams of the proposed functional structure (Figures 4.1 and 4.2), the organisation should have two operational service provision divisions, Information and Promotions Division and Advisory Services Division. These are supported by an Administration and Finance Unit and a Policy and Planning Unit.

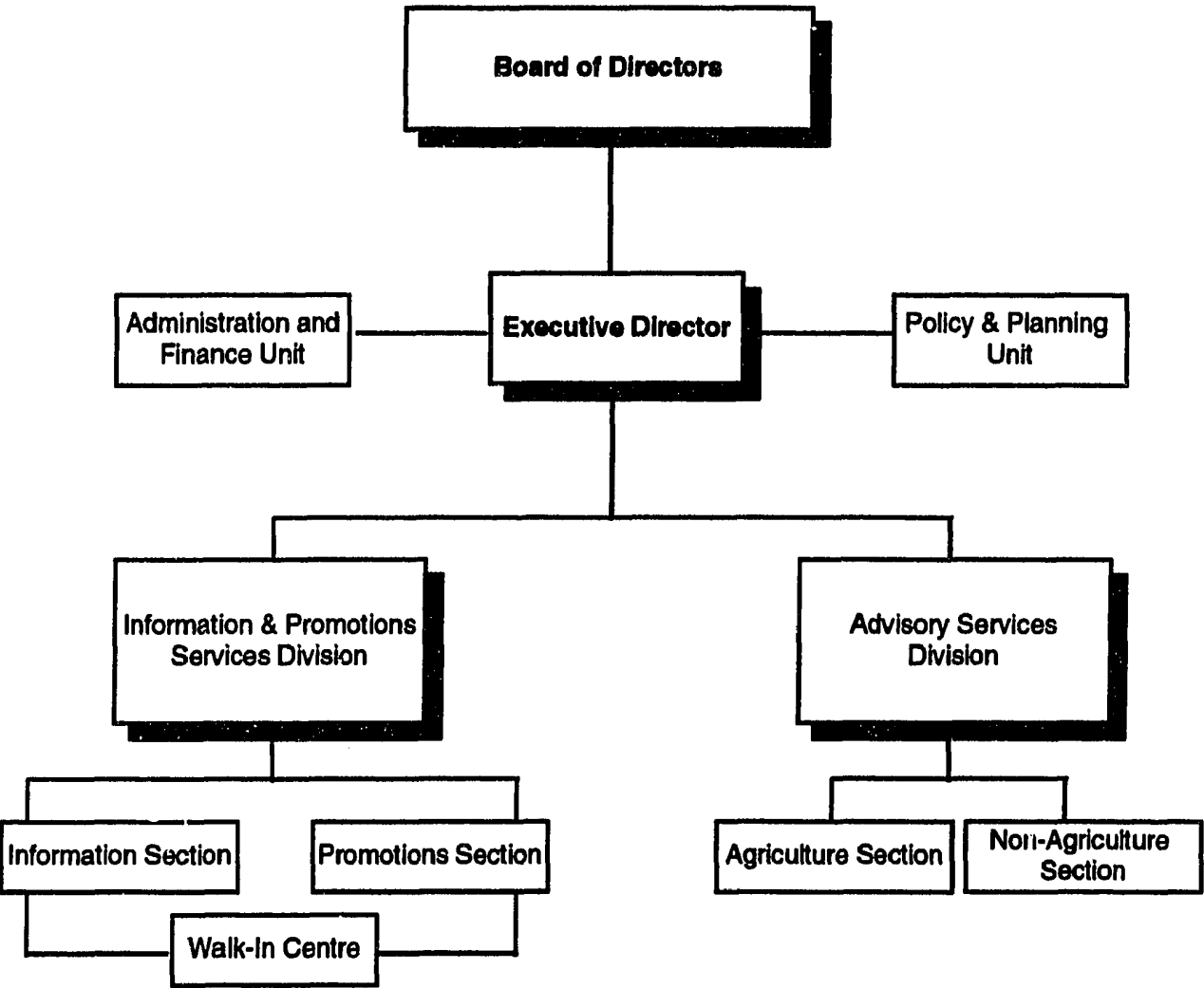
The functions and relationships of each are described below, together with the Board and Executive Director.

### *Board*

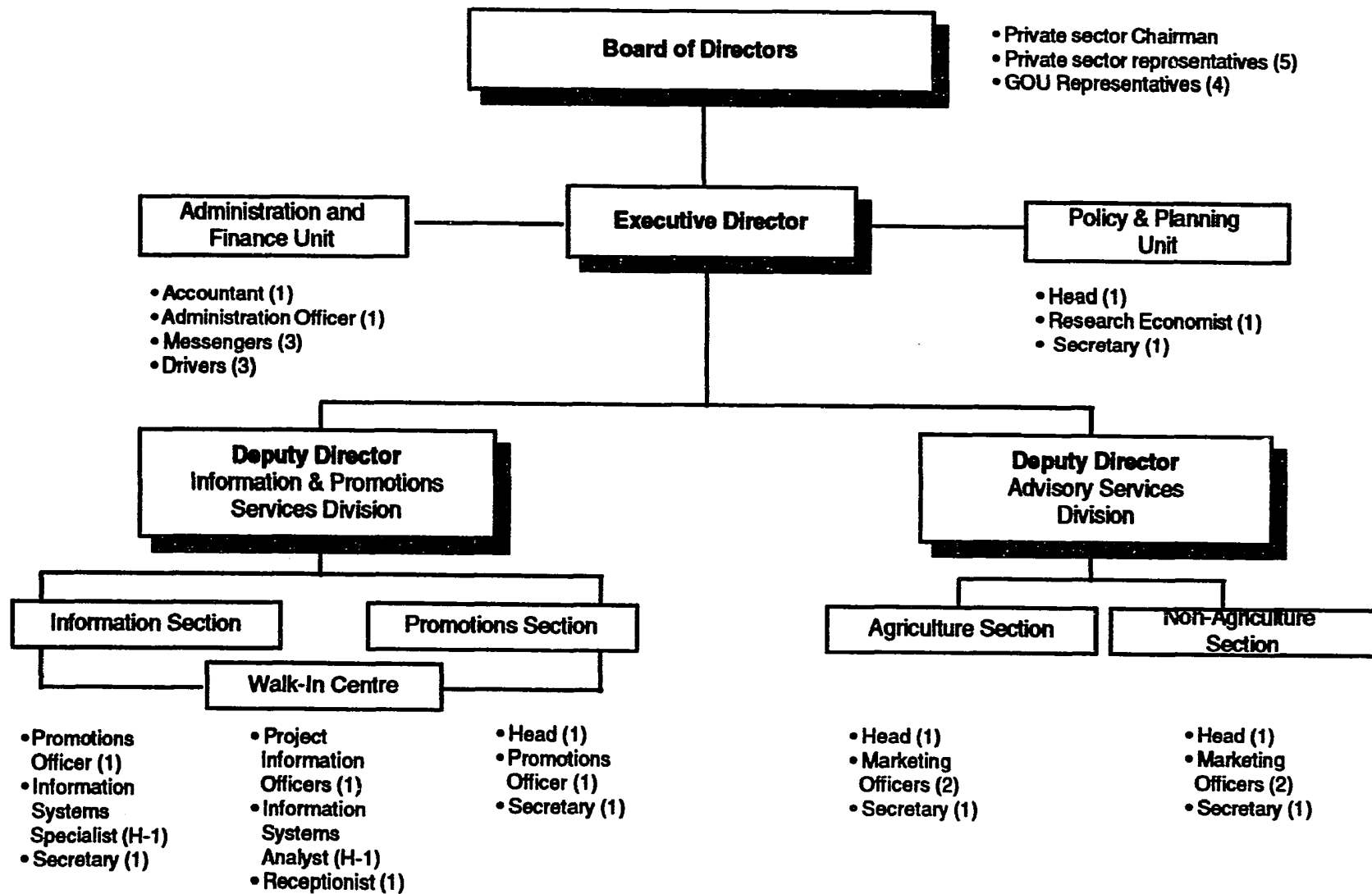
The Board of Directors (BOD) will be the organisation's highest policymaking body, directly supervising the activities of the organisation and senior management. The size of the BOD should be kept manageable, with 11 members, consisting mostly of private sector representatives from the major trade associations. There should be 4 public sector representatives from relevant Ministries and 7 private sector representatives. Government representatives would be the following:

- Permanent Secretary, Trade and Industry
- Permanent Secretary, Finance and Economic Planning
- Permanent Secretary, Agriculture
- Executive Director, Uganda Investment Authority

**Figure 4.1**  
**Export Services Functions**  
**Organisation Chart**



**Figure 4.2**  
**EXPORT SERVICES FUNCTIONS**  
**Staffing Plan**



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Private sector representatives would be drawn from leading associations and would include the Executive Director of the new organisation. Suggested private sector Board members would be the following:

- Nominee, Uganda Manufacturers Association
- Nominee, Uganda Horticultural Association
- Nominee, Uganda Floriculture Association
- Nominee, Uganda Grain Exporters Association
- Nominee, Uganda Chamber of Commerce and Industry
- Nominee, Uganda National Farmers Association
- Executive Director, New Export Services Organisation

Chairman	The Board will elect a Chairman from among its members. This person will need practical export experience in the private sector in Uganda, and will be drawn from the private sector.
Executive Director	The Executive Director will be appointed solely by the BOD, who will supervise his or her activities, set his or her remuneration package, and fire him or her for non-performance or other reasons. The Executive Director, in turn, will have the power to independently hire, compensate, discipline and fire staff, in accordance with the guidelines of the organisation. This person will occupy a pivotal position in the institutional framework for export development in Uganda, and it is recommended that this individual sits as a member on the Uganda Investment Authority Board. The Executive Director will be responsible to the Board, and will direct the overall operations of the organisation. In addition, he or she will be an advocate to Government of exporter issues and concerns regarding developments in trade policy, being considered for implementation by Government.
Policy and Planning Unit	This unit will have the following functions: (i) the preparation of papers on selected matters of trade policy that require adjustment and change to enhance export performance, and the advocacy of these recommendations, (ii) the preparation of the annual strategic and organisational plan for the organisation, and the coordination of the two service provision divisions in this exercise, (iii) the carrying out of an Annual Exporters Survey and compilation of other statistics, and (iv) the provision of assistance to the Advisory Services Division regarding matters of market research. The emphasis in terms of policy would be to serve as advocate to the GOU regarding the practical regulatory and other problems experienced by the Ugandan exporter, but not to act as "think tank," or engage in policy formulation <i>per se</i> .
Finance and Administration Unit	This unit will be responsible for all financial planning and control in the organisation. In addition, all central administration functions will be within this unit.

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**Operational Divisions**

The organisation will be divided into two operational divisions, which will be providing various services directly to private sector exporters. These are the Information and Promotions Division and the Advisory Services Division.

**Information and Promotions**

The key function of this division serving the basic needs of existing and potential exporters. In addition, market and trade information will be provided to support the needs of the Advisory Services Division. Of the two operational divisions, the Information and Promotions Division will be playing a less critical role, which will be reflected both in terms of staffing and budget.

The organisation will provide the following services directly to exporter clients:

**Information**

- Relevant sector/market information on targeted countries, and detailed entry strategies for Ugandan firms. This type of information will include details of channels of distribution, importers, buyers and distributors, and pricing and margin information.
- Trade and tariff information on all markets of relevance to Uganda. This is a vital service to exporters, as changes in import rates and duties on various items in industrialised countries occur frequently, and there is a need for constant updating.

The Information Unit within the division would access the required information from the following sources:

- Use of existing PTA and ITC (UNCTAD/GATT) on-line data bases for access into the regional markets in East and Southern Africa. These existing services are reasonable for trade information, but will require upgrading for the provision of market/sector specific information.
- Linking to European and U.S. Data Bases on product/market sectoral information for most of the importer countries of the industrialised countries. In addition, the ongoing use of all current relevant trade and industry periodicals.

The following is an indicative list of the "products" which will be available to the client from this unit:

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- Tariffs details for all markets/product sectors;
  - General market entry information;
  - Specific sectoral profiles of interest;
  - Lists of importers by country/sectors of interest;
  - Export price information from major price determining centres;
  - Market trends analyses of products and sectors/markets of interest;
  - Lists of importers operating in competitor African countries;
  - Worldwide Trade Fair information;
  - Export Procedures/Documentation requirements by country;
  - Tracking Data on trade flows by importing country/sector of interest.

### Promotions

This unit will deliver three products to the exporting community:

**Trade Fairs.** The trade fair as a vehicle for export development, is, if correctly selected, of great utility. The current funding situation in the UEPC has unfortunately led to a situation where participation has only been possible at events where donor funding is available. This has mitigated against targeted selection of events. This unit will organise a small number of Sectoral and National participation at relevant events, and the choice will be led by private sector sectors and markets of interest. There is no doubt that these events are extremely expensive, hence the need for careful selection. A prudent combination of regional and extra-regional events will be selected, following the canvassing of private sector interest.

**Trade Missions.** This event is the mounting of a tailored visit by a selected group of exporters from a particular industry sector to a target importing country. This allows an in-depth screening of the market by the mission members, and detailed discussions with interested importers and buyers are normally prearranged. It is envisaged that a small number of these missions would be mounted, directed by the interest of the private sector exporters, through various associations.

**Inward Buyer Events.** Groups of inward buyers would be attracted to Uganda to meet on a regular basis with new exporters, and to examine the supply capacity. These events are an important category in the programmes of most export service supply organisations, and would form a vital element of the work of this division. Many buyers from Europe, Asia and the United States visit Nairobi, Kenya frequently. A challenge of this division will be to mount programmes to either arrange events in that city, or to attract them to Uganda.

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**Walk-In Centre**

A Walk-In Centre will be situated at the reception area of the new organisation. The client will be able to access information at three levels:

- Basic information for the potential exporter regarding the requirements for adjusting the supply and performance capacity of the firm to the export market.
- More general information available through a specialised trade and market information library, with on-line data bases.
- Individual guidance of the clients who display "export readiness" to the Advisory Services Division for a detailed evaluation by the staff of that division of their supply capacity and general export readiness.

The division will therefore develop a capacity to provide all necessary information and promotional services to exporters. These services will be packaged to appeal to a sectoral audience, and the delivery philosophy will be collective, as opposed to firm-specific.

**Advisory Services Division**

The activities of this division will be the primary emphasis of the organisation, which is commensurate with the need in Uganda for their to be a more "hands-on" approach to export development. This division will be divided into Agricultural and Non Agricultural Units (and will be structured to allow further sub-divisions, if required.) The overall mission of the division will be to provide firm-specific export marketing and development advice. This will be delivered in two ways:

- Direct provision of advice to small firms on the basics of exporting, and toward the development of these firms so they will be ready to access the more specialised services of the division. This will be akin to EPADU's project identification and development function, working with start-ups.
- A "conduit" type role linking the client base of the organisation with donor projects, which will continue for the foreseeable future to be the vehicles for development of sectors and firms with major export potential. The fact that each donor has its own systems and project methodology makes it difficult to integrate these projects in a formal sense into the organisation structure.

As discussed further below, the Advisory Services Division would initially be set up to provide basis export advisory services, and act as

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a conduit to the large donor projects. Over time the division will assume the total advisory role, when expertise is established and additional funding becomes available to the organisation.

**Donor Project Linkages**

The Advisory Services Division will be directly linked with two types of donor-funded export development projects. The first will be the product- or sector-specific project which is concerned with the development of exports from a particular industry. In this case, the division would direct the potential exporter to the services of the project, if the firm displayed evidence of the basic skills necessary for exporting. Second, a Grant Assistance Funds projects (an example would be the World Bank-funded Kenya Export Assistance Scheme) which establish a fund, allowing exporters to draw necessary expertise to improve their potential to export. These funds typically have a list of eligible expenditures, and a partial grant to assist the cost of the technical inputs required.

Linking of large-scale, product-specific donor projects to the organisation will not be mandatory. However, there are great benefits to be derived by both the organisation and the donor projects from a linkage that is meaningful and workable. The proposed linkage between donor projects and the export organisation is graphically presented in Figure 4.3.

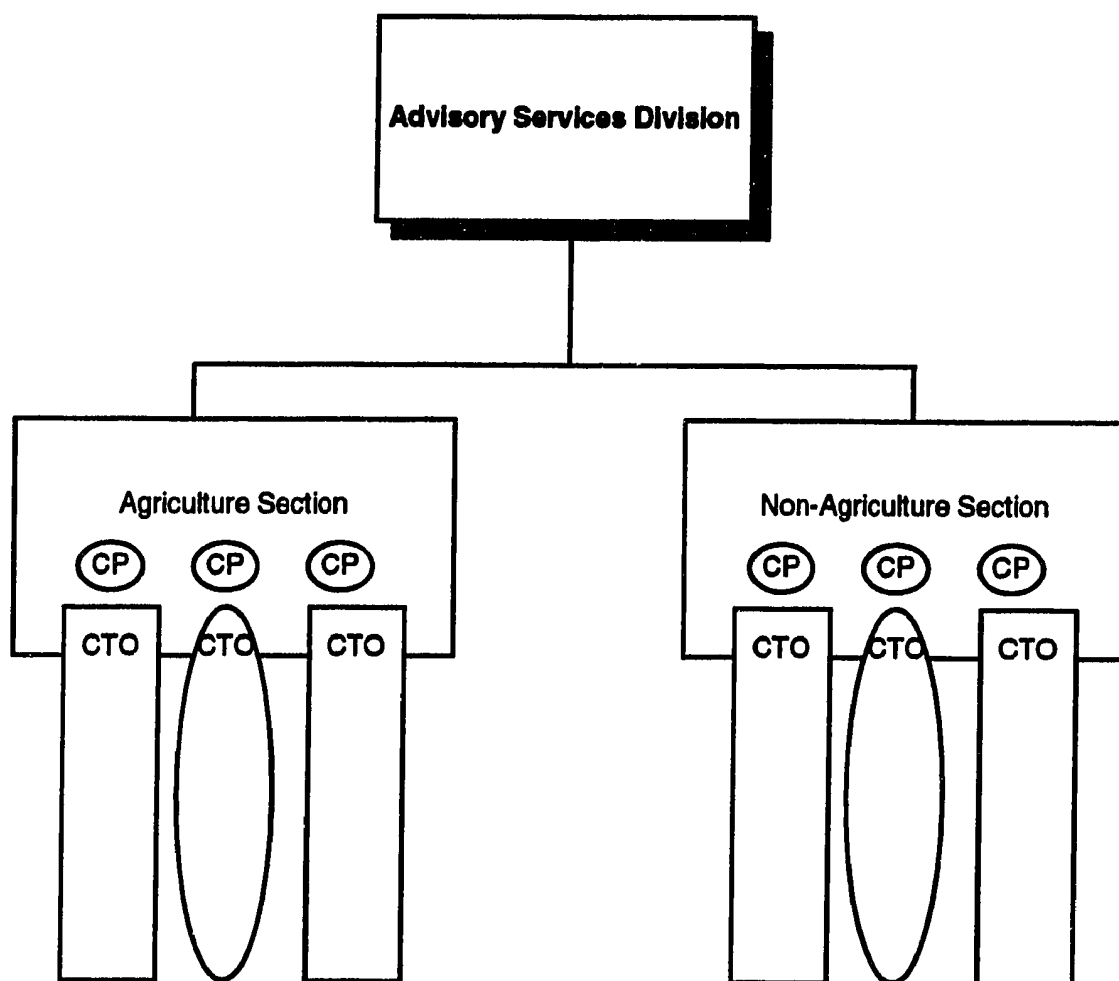
**Counterparts**

It is proposed that the Chief Technical Officer (or Chief of Party) of each of these projects be encouraged to physically base him/herself in the new organisation, and become a *de facto* member of the staff of the Advisory Services Division contributing to overall policy and strategic directional issues at a multi-sectoral level, in addition to the day-to-day running of the project. Each major donor project will have a counterpart from the new organisation who will work alongside the Chief of Party (COP). Over time, capacity will be built in the organisation through the interaction with these large projects with expert personnel, the direct liaison between the project COP and the division, and the organisation will gradually take over the role of these discrete projects, as they phase out.

**Facilities**

The capacity brought in by these projects in terms of trade and market information data bases, libraries, and other physical data or equipment should be housed and integrated into the facilities of the Information and Promotions Divisions to allow for (i) cost effective service provision; (ii) no overlapping of functions; and, (iii) eventual capacity building. In this way, a single control data base will be constructed.

**Figure 4.3**  
**Export Services Function**  
**Donor Project Linkages**



**Product Oriented Integrated Donor Projects**



**Export Assistance Donor Funds**

**CTO: Chief Technical Officer**  
**CP : Counterpart**

## **Institutional Structures: International Experience<sup>4</sup>**

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### **Overview**

More than sixty developing countries have established export promotion organisations, as of this writing. The performance of these organisations has been uneven, but most have fallen short of expectations. This section reviews the experience of export promotion programmes in other countries and highlights the factors that determine their success in stimulating export development.

### **Laying the Policy Foundation for Success**

The disappointing results generated by most export promotion initiatives are understandable, as they are faced with a difficult task and efforts can fail for any number of reasons. Most often, however, they are constrained by an inadequate policy environment. Effective export promotion is virtually impossible in an unsatisfactory policy setting. Restrictive economic policies undermine the viability of the export sector and the credibility of the promotional organisation within that community. Moreover, without sustained private support, export promotion bodies are easy targets for public sector budget cutting as they are viewed as ineffectual and lacking a constituency. Clearly the policy environment is the one critical factor to achieving results, cutting across all countries, organisational models, and promotional strategies.

Without a supportive policy environment, the cycle of failure that has plagued export promotion can be difficult to break. Successful export promotion depends on broad-based support from both the government and the business community. This is hard to achieve in a policy environment in which the needs of exporters are left unaddressed, and the organisation is perceived as ineffectual by its constituency.

### **The Public Sector Model**

While their particular organisational structures vary greatly, the majority of export promotion organisations are public sector bodies that have

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<sup>4</sup> This section draws heavily on the important work and research conducted on the subject by Donald B. Keesing and Andrew Singer of The World Bank, and Paul Hogan of the Trade Development Institute of Ireland.

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achieved little in terms of concrete results.<sup>5</sup> The trend toward government-operated export promotion organisations is pervasive across the developing world, including the countries of Africa, Asia, and Latin America. While several of the countries feature private sector representation at the Board of Directors level, there are otherwise generally limited links between the organisation and its supposed constituency.

For example, in a study undertaken by the World Bank, of the 45 countries surveyed, only three drew on funding sources outside the public sector or donor programs. With no financial ties to the export community, and thus no direct accountability, the responsiveness of these organisations has fallen far short of what is needed to provide meaningful assistance to exporters. Problems are compounded by the absence of autonomy -- a minority of export promotion offices are independent entities, most are directly linked to the government, usually a ministry. Such a structure fosters mistrust within the private sector, as discussed below.

Unfortunately, the popularity of the public sector export promotion model is not an indicator of its effectiveness. The performance of these organisations has been constrained in part by external factors that would affect any promotional effort, such as inadequate policies in support of export development and the absence of a viable industrial base. However, equally important, for a number of reasons the government has proven to be an inappropriate vehicle for export promotion, as outlined below.

#### *Conflicting Objectives*

A recurrent problem with public sector promotion bodies arises from the difficulties in pursuing the dual objectives of governance and export sector advocacy simultaneously. A government promotional body is unlikely to be able to adequately represent the business community. There is an inherent conflict of interest in undertaking both regulation and promotion that compromises its credibility and effectiveness. Moreover, any public sector promotion agency will be staffed by civil servants who are often unqualified to undertake promotional functions, and have little awareness of the concerns of the private sector.

#### *Limited Authority*

Export promotion is generally the responsibility of the ministry of trade, commerce, or industry. Unfortunately, the ministry of trade (or its

<sup>5</sup> Indeed, research has shown that, with the exception of Hong Kong, Taiwan, Singapore, and South Korea, most countries' export promotion agencies have been ineffective. A detailed discussion of the export promotion agencies of these countries is presented in The Four Successful Exceptions, Official Export Promotion and Support for Export Marketing in Korea, Hong Kong, Singapore, and Taiwan, China, Donald B. Keasing, UNDP-World Bank, TEP, Occasional Paper 2.

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equivalent) is generally among the most ineffective ministries, with limited influence and funding.

Typically the ministry has a minor portfolio of its own, and is instead faced with the challenge of realising its objectives through coordination of a range of policies and procedures that are actually implemented by other ministries. The end result is often inadequate funding and an inability to undertake serious promotional efforts.

#### ***Chronic Under-Funding***

Government export promotion agencies are further constrained by their dependency on government budgets as their source of funding. This limits their ability to undertake long-term planning, as well as, their autonomy and ability to effect businesslike decisions. Nevertheless, public sector promotional offices rarely charge for the services they provide, but instead offer them to all firms upon request. Resources are therefore spread thin, and importantly, in the absence of a cost-sharing element the services are often not taken seriously by the beneficiaries.

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#### **Private Organisations**

Experience demonstrates that the effectiveness of many export promotion organisations has been inhibited by their institutional structures. Problems may arise from their institutional affiliation, decisionmaking framework, or staffing patterns. Therefore, attention should be directed from the onset to the design of an organisation that reflects the importance of responsive management and operations.

Fully private export promotion organisations may be as ineffective as governmental entities for a number of reasons. Purely private sector bodies, such as chambers of commerce, exporters' or manufacturers' associations, may not be the most appropriate developmental institutions as they are almost bound to take a short-term view in the face of pressing demands from their members. Moreover, such bodies may suffer from the disadvantage of not having the wholehearted support of government which is essential to any national export promotion effort.

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#### **Public-Private Cooperation**

The "compromise approach" of an autonomous public sector institution with heavy private sector involvement avoids the pitfalls of either of these alternatives. Most successful export promotion organisations have boards with majority private sector participation, which are largely business-oriented, chaired by a business leader of distinction and acknowledged integrity. Moreover, the staff should have a private sector background to the largest extent possible. This type of organisation will have the support of government since it reports to a

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ministry, as well as the private sector trust and confidence if it is largely represented within the organisation.

By providing an institutional framework for public-private sector cooperation in trade and export promotion, the organisation and its staff are much better positioned to identify the needs of the export sector, through the input of their private sector board members and contacts cultivated throughout the business community. At the same time, the status as a public body facilitates direct access to decisionmakers and provides an avenue for a voice in policy formulation.

Such an organizational model is not without its drawbacks, however, like the "one-stop-shop" concept in investment promotion, there is often a wide gap between theory and practice. Autonomous export promotion bodies have been constrained by such factors as: lack of independent authority to define objectives or implement services; unneeded involvement by ministerial representatives in day-to-day operations; and, perceptual problems arising from a "civil service image" within the business community. Finally, to the extent that most funding for the organisation is drawn from government coffers, true autonomy will never be achieved.

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**Other Factors Influencing Effectiveness**

In addition to the policy environment and the organisational structure of the export promotion body, there are several other elements that have proven to influence organisational effectiveness in export promotion.

***Autonomy and Authority***

A trade promotion agency must have sufficient autonomy to be able to take its own decisions based on commercial considerations. Autonomy, however does not mean independence, since the export promotion agency must operate within a framework of government policy. The most highly regarded export promotion agencies in Europe or the Asia are autonomous bodies responsible only to their boards of directors and with day-to-day programs directed by their chief executives without outside interference.

***Credibility Among Exporters***

Export promotion organisations must enjoy the confidence of government and exporters. Government must have confidence that the policies being pursued are likely to achieve the desired results and that the organisation, if centrally funded, is good value for money. The confidence of exporters is also crucial to assure that the agency works closely with the private sector to attain its goals. In many cases, however, confidence is lost if the export promotion organisation is fully within the public sector, and private sector representation at the Board of Directors level can be highly valuable.

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***Demand-Driven Services***

The assistance offered by export promotion organisations in different countries varies greatly, but there are several basic activities, common to most promotional groups, including market research, trade promotional events, and marketing support. The scope of services should reflect the changing needs of the exporters, and the well-run export promotion agency will fine-tune its service portfolio accordingly.

***Overseas Representation***

Export promotion organisations should have access to professional trade representatives in key markets if they are to offer the up-to-date information and guidance which is essential to exporters. Without an overseas presence it is difficult to make contact with buyers or to prepare itineraries for exporters on marketing trips. Foreign representation can range from traditional, commercial attaches in embassies abroad to satellite offices of the export promotion agency. The key concern is not the specific posting of the representatives, but that they are an aggressive and experienced sales force for their country, with a solid understanding of marketplace.

***Knowledgeable Staff***

The calibre of the agency's staff is second only to the policy environment in the impact it will have on the organisation's performance. The staff of an export promotion organisation needs to be highly qualified with experience in international marketing and private sector backgrounds. A common problem in developing countries is that the few individuals with this kind of experience command salaries far beyond the capacity of these groups to pay.

As such, it is in the best interest of promotional organisations to train their own recruits, ideally combining academic study with practical on-the-job training and overseas experience. Moreover, if the recruit does not have a commercial background, it would be useful to include an extended period with the export marketing department of a major company.

***Adequate Funding***

It is critical for an export promotion institution's funding to be sufficient to maintain a high-calibre organisation, reward staff at competitive rates, and finance promotional events. Funding can be provided in various ways: government grant; levies on imports and/or exports; membership dues; donor support; fees for services; or, a combination of all of these methods. Most often, funding is provided by the government, as a line item in the budget. This approach lays the groundwork for ongoing public sector intervention, and subjects the promotional group to annual funding authorizations, inhibiting long-term planning.

A levy on exports and/or imports can generate a substantial amount of revenue. However, while this method has proven to be more successful than 100-percent government funding, opponents maintain

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that it is essentially counter-productive -- adding to the cost of exports and increasing export prices.

Charging membership dues and service fees is still uncommon in developing countries, and is best instituted once the export promotion organisation has clearly demonstrated its achievements and thus its value to the potential customers. In most cases where service fees are applied, they do not generate sufficient revenues to fund the export promotion agency in its entirety, but rather supplement whatever other source of funding is in place.

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## Key Services

Export promotion organisations may undertake a range of activities. While the specific portfolio should be tailored to meet the specific needs of the export sector, typical services include the following.

- **Commercial intelligence.** Printed and computer-based data on target markets(s), sector and product-specific information, directories or referrals for professional services, etc.
- **Market investigation and research.** Client-directed market research on specific products and sectors.
- **Services to foreign buyers.** Assistance to potential buyers during visits, e.g., arranging itineraries, transport, translators.
- **Trade fairs and missions.** Sponsorship, attendance, organisation of trade shows for local exporters' participation
- **Transport advisory services.** Data on ports of entry, best shipping routes, cost, availability, and reliability.
- **Management consultancy.** Assistance in preparing business plans, feasibility studies, financing arrangements, etc.
- **Design and product development.** Assistance in product definition to meet the needs of specific buyer or to enhance a product's export potential; and, help in packaging design and quality to meet export market standards.
- **Administration of incentive schemes.** Clearinghouse for extension of export incentives, independently or through liaison with key government offices.

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- **Licensing and certification.** Assistance in obtaining licenses, export certificates, certificates of origin, etc.
  - **Training.** Training courses in such areas as quality control, packaging, joint venture agreements, and the like.
  - **Direct marketing and trading.** Active assistance and participation in trade deals and keeping negotiations.

The portfolio of services offered by these organisations ranges widely, based on the exporter's needs, as well as the degree of funding and sophistication of the export promotion agency. It is crucial, however, that basic services be provided, such as market data, sector/product research, event coordination, and exporter facilitation support.

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## **Lessons Learned**

The key success factors of an export promotion organisation are discussed in detail above. This section provides a brief summary of the most important ones for extra emphasis.

### ***Sound Policies are Critical***

Without a supportive policy environment for export development, efforts of export promotion organisations are largely ineffective. Hong Kong and Taiwan already had fully satisfactory policies and had attained experience and success in manufactured exports for many years before their export promotion organisations were started, as had Singapore before it started its Trade Development Board in 1983.

### ***Involve the Private Sector***

The trust and confidence of the local private sector is crucial, since the agency's primary role is to represent private exporters and develop markets for them. The more successful export promotion agencies increasingly have private sector representation on their boards of directors, as well as staff with private sector backgrounds.

### ***Hire Qualified Staff***

As mentioned above, the calibre of the staff of the export promotion agency is one of the most crucial factors to its success. Staff should have a private sector background and be familiar with international marketing principles. Government employees are less suited for these agencies, since they are generally not trained for such tasks.

### ***Consider New Approaches***

Finally, in reviewing international experience in the field of both export and investment promotion, a clear and growing trend is apparent -- away from the establishment and support of large institutional mechanisms, and toward reliance on individual, targeted projects or initiatives. After the disappointing results generated by export promotion organisations worldwide, donor community and host governments alike are considering and implementing alternative programs that emphasize service delivery rather than institution

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building. Drawing upon established private sector organizations -- chambers of commerce, manufacturers associations, exporter networks -- projects have been launched that focus upon identifying discrete needs of the export community on a company or sector-specific basis. Examples include "KEAS" and "KEDS" in Kenya, which are export development efforts not allied with any one institution, and offering the flexibility and responsiveness that is critical to promotional success.

## Recommended Institutional Option

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### Institutional Options

There are four major possible options for the establishment of a central export promotion and development organisation in Uganda at this time, given the current institutional framework, and the objectives of the GOU to expand and diversify the export base. However, it is not possible to build an effective export service body around the current UEPC. The current personnel, equipment, building, library, and programs are inadequate to use as the foundation for a new entity. Instead, it is imperative that the new export organisation is established without any reference or connection to the existing body.

#### *Option A: Public Statutory Body*

The existing UEPC is a statutory body under the UEPC Act 1983. The first option is to retain the current legal/institutional status, and create another organisation. As a "pure" public statutory body, this organisation would share many of the same characteristics of the existing UEPC. As the supervising Ministry, the MTI would appoint the Board of Directors, Executive Director and other senior personnel, and authorize all significant expenditures. Much of the staff may be seconded from the MTI and under civil service rules governing staff remuneration, hiring and firing and other operational issues. However, the organisation will benefit from higher funding levels than the UEPC, which is likely to increase effectiveness.

The primary advantages of this option are as follows:

- Direct Ministerial supervision and control over activities of the organisation, which is attractive from the GOU perspective.
- Greater accountability and direct GOU control over funding and activities.
- Easily understood structure and functions, since the basic structure and operating mode of the UEPC will be preserved.
- Building state capacity in export promotion, which offsets one of the major criticisms of time-bound projects like EPADU, which are seen to contribute little to capacity-building.

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These advantages are offset by several compelling factors:

- Parastatal TPO model has proven to be ineffective in the majority of developing countries. Aside from the TPOs in Taiwan, Korea, Hong Kong and Singapore, most parastatal TPOs have contributed little to export growth in their host countries.
- Lacks private sector confidence. The fundamental weakness of this approach is that there is not a direct link to existing or potential private sector exporters. Worldwide experience has shown that successful TPOs need to have substantial private sector involvement in service provision to ensure effectiveness.
- Question mark over day-to-day operational autonomy. While the model offers GOU tight control over operations and funding, it does not provide for the autonomy in decision-making that is crucial to the success of the organisation.
- Civil Service ethos, resulting from poorly trained and inadequately remunerated staff, frequently seconded from other public sector bodies.
- Not a new organisation or concept. The private sector is likely to continue to associate the body with the failed UEPC.
- Will not maximise attraction of donor funds. The combination of the ineffectiveness of this model internationally, as well as in Uganda, is likely to deter critical donor support.

***Option B: Revised Public Statutory Body***

This option would maintain the current legal framework, but would recommend amendments to the UEPC Act to allow for greater autonomy in operations and would allow the private sector to play a major role in the direction of the organisation.

In this option the Act would be amended to allow for:

- Majority private sector Board of Directors elected directly by industry and trade associations.
- Board to appoint its own Chairperson.
- Executive Director appointed by Board.
- Executive Director with power to hire and fire.
- Other safeguards to allow for maximum operational autonomy over programmes and budget.

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**This concept offers several advantages:**

- **Acceptable to Government.** There is strong likelihood that the concept of an autonomous public statutory body would be supported by the GOU. The basic structure would be comparable to the Cotton Marketing Board, under the new Cotton Marketing Bill, which creates a highly autonomous private sector-driven body.
- **Provides for private sector participation** at the policymaking and strategic control level, which is dominated by private sector representatives.
- **Allows for GOU control over funding,** as a public sector body, through GOU representation on the Board.
- **Likely to attract increased donor funds** as a more innovative concept, with greater private sector participation.

The major disadvantages of this model relate to the fact that despite many innovative features, it remains a public sector body. These negative factors are the following:

- **Will not enjoy maximum private sector support.** It is likely that despite the private sector domination at the Board level, the organisation will not enjoy the full confidence of exporters for several reasons. First, it may not provide the necessary confidentiality that is necessary. Second, as a government body, the organisation is still likely to be within the overall indirect control of the Government, especially with a relatively weak private sector.
- **Continuation of Civil Service Ethos.** A related concern is that the staff of the organisation are likely to have a civil service ethos, especially if they are not drawn directly from the private sector, and compensated at competitive levels. Morale may further suffer if senior management is not permitted full authority to hire, fire and incentivise staff to enhance performance.
- **Will not maximize donor funding and support.** It should be recognized that the public sector TPO model has been largely rejected by donors, based upon the international TPO experience. In particular, the model

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is seen by the World Bank as outdated and ineffective for developing countries.

***Option C: Wholly Private Sector Body***

This option would take the form of a limited liability company, set up and run by the private sector. In other countries, these types of bodies are usually companies with share capital, where equity is held by various private sector associations. In other cases, these are organised as a national exporter's association, with a managing Secretariat composed of representatives of associations and major business groups. The basic premise here is that the private sector knows best what services it requires, and thus would be more effective in the running of such an organisation, which would be providing services of relevance directly to its members.

In Uganda, this should take the form of a private limited company owned by the various private sector trade associations, with Government agreeing to an annual grant from the cess on imports to meet a proportion of operational costs, most likely a large proportion in the initial years. However, Government involvement would be limited to the conditions outlined in the funding agreement governing the grant funds.

The advantages of this approach are substantial:

- Private sector control over direction of export promotion effort, and direct role in service provision. This feature will maximise their participation in activities, ensure that services are of direct relevance to exporters, and develop a constituency for the body.
- Capable of attracting maximum donor funds. This is a proven concept in other countries, and is likely to garner donor support.
- Lead to an effective, and motivated organisation. Effectiveness is maximized through the direct private exporter role; staff will be drawn from the private sector and well-compensated.
- New concept in Public/Private sector partnership, will send a clear positive signal to donors/private sector regarding the role and intention of the Government.

There are several notable disadvantages:

- Lack of capacity/development within private sector to undertake task. Private sector associations and business groups currently lack the capability to

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professionally manage a purely private exporters' organisation.

- Less control by Government over its funds. Although safeguards can be built into the funding agreement, the GOU does not have a presence within the organisation.
- Lack of a direct link to Government. The lack of a direct link to the GOU may hamper export development efforts requiring the active participation of Government.
- Liable to sectional interests becoming paramount. The existing weaknesses of private sector associations may result in the dominance of the organisation by narrow interests.
- Not building national capacity in information area.
- May become unresponsive to national export interest. The organisation may concentrate on providing services of direct and immediate relevance to its membership, and may neglect the consideration of other, longer term activities.

***Option D: Private Body  
With Public Sector  
Participation***

This final option envisages the establishment of a company limited by guarantee under the Companies Act, a non-share capital company, where the promoters would be a combination of public and private bodies, and where the powers of each would be strictly set forth in the Articles and Memorandum of Association of the organisation.

The Board of Directors would be a partnership between government and private sector nominees, and the powers of the Board and the Executive Director would be similar as in Option B above.

The government would provide annual funding to the organisation for several years, in accordance with a funding grant agreement, which would set out terms and conditions for the disbursement of the funds. These funds would flow from the Treasury to the MTI which would make the legal grant agreement with the company. In addition, donor funds would also flow into the company by way of a grant agreement, on a matching basis.

The company would thus be a partnership between public and private sector, and over time as the capacity of the private sector develops, the proportion of government funding would decrease, in favour of private sector and donor funding.

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This is an attractive concept which offsets many of the constraints noted above with the other options. The principal *strengths* of this approach are:

- New concept, would attract private sector support. This is an innovative approach, that is likely to maximise private sector participation and interest. At the same time, there is a direct link to government.
- Would attract maximum donor funding. This organisation would meet the requirements for successful TPOs, and as a partnership concept, is attractive to donors.
- Easy to set up. Unlike Options A and B, which will require an amendment to the UEPC Act, this option will not require legislation and can therefore be set up more quickly.
- Workable, with government control over funds, yet seen as an innovative move and positive signal to private sector.
- Would attract effective and qualified staff, critical to an effective organisation. The combination of autonomy and significant funding commitments will allow for highly qualified staff to be hired directly from the private sector.
- Partnership organisation would ensure that national priorities are met. The participation of the GOU at the Board level will ensure that narrow parochial views do not prevail over national interests.

The major *disadvantages* of this option are derived from the novelty of the concept in the Ugandan context:

- New structure, time for consensus necessary. An outreach effort to ensure the participation of all parties and finalise funding arrangements will be a necessity. In addition, some further design effort will be necessary to ensure that legal safeguards for the organisation are put into place.
- Lack of private sector funding on an immediate basis. While the government will provide the majority of funding, partnership organisations are generally jointly

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funded with the private sector. In Uganda, the private sector is unlikely to be able to provide such funding.

The above options represent a wide spectrum of organisations. They are all workable and in Uganda, however, this organisation must address a variety of needs and constituencies in order to play a leading role in the export growth and diversification drive.

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### **Choice of Institutional Option**

In making a recommendation as to which of the institutional and legal options will provide the most effective solution for Uganda, a number of key decision factors must be considered, including the following:

#### ***Key Factors***

- Which will attract the most private sector support, and develop a constituency for its services?
- Which will attract the most donor support in terms of programs and activities?
- Which will best safeguard GOU funds, and build-in sufficient accountability?
- Which is the easiest to implement?
- Which builds maximum national capacity?
- Which has most autonomy in staffing and operations?

An organisation which cannot meet these prerequisites will not succeed. Table 6.1 ranks each of the alternative institutional options according to these prerequisites.

#### ***Ranking of Options***

As summarized in Table 6.1, the recommended option is the partnership organisation, organised as a non-stock, limited by guarantee company. Our reasoning is as follows:

- ***Option A.*** This option will not work, because it will not have the confidence of private sector or donors, and as it will be a state organisation it will not be effective in delivering relevant services to exporters.
- ***Option B.*** This option is a vast improvement on A, in that it involves the private sector in the control and direction of the organisation, and in that it will be staffed by professionals.

**Table 6.1**  
**Ranking of Alternative Institutional Approaches**

Criteria	Option A	Option B	Option C	Option D
Confidence of Private Sector	1	3	5	4
Confidence of Donors	1	4	3	5
Rapidly Established	3	3	4	5
Easily Implemented	3	2	2	5
Direct Private Sector Role	1	3	5	5
Direct Link to Government	5	5	1	4
Autonomy	1	4	3	5
Accountability to GOU	5	5	1	4
Total Score	20	29	25	37

1: Inadequate; 2: Poor; 3: Satisfactory; 4: Good; 5: Very Good

The major drawbacks are (i) the fact that the organisation will continue to be within the state system and will be somewhat subject to control and interference from the Ministry, (ii) the perception by both donors and private sector of this possibility, (iii) and the fact that it may take up to 15 months to give effect to amended legislation to set up this body. This is a major consideration, given that the objective of government is rapid export growth.

- *Option C.* The idea of a completely private export services organisation is not realistic at this point. The lack of bona-fide exporters, and the weakness of trade associations means that the organisation cannot be professionally managed. The lack of a direct link to Government is a further detraction.

As the private sector develops in Uganda, the long term objective should be that they would (through their trade associations) begin to move towards providing

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their own capacity in delivering export support services, however at this time, it is clearly not a realistic option.

- Option D meets most of the prerequisites for success. It maximises private sector participation through a bold and innovative concept. It provides for sufficient autonomy, yet provides a direct role for Government, and sufficient safeguards over funding. It can be relatively rapidly and easily established, and enjoy widespread donor support. This option will also act as a strong catalyst for the formation of a grouping to represent the interests of all exporters, in interactions with government.

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### **Recommended Option**

We recommend establishing a limited-by-guarantee company under the Companies Act. As such, the company will be a private, non-stock, not-for-profit, limited liability company, with a legal existence independent of its founding promoters. While the number of promoters can be increased, this is not envisaged to be a private membership organisation, *per se*.

This legal form has been commonly used in Uganda for organisations whose objectives and activities are not meant to be profit making. Examples include several non-governmental organisations, universities, and private trade associations. Many of these entities are receiving funds and administering programs of the Government and donors.

The sections that follow are descriptive, and will need to be drafted by a legal team taking advice from public and private promoters.

### **Promoters**

The promoters of the organisation are the founding members that will jointly draft, register and agree to be bound by Articles of Association and Memorandum of Association of the company.

We suggest that there be eleven promoters, four Public Sector Representatives from relevant Ministries and seven Private Sector Representatives. An indicative listing would be as follows:

- Permanent Secretary [or representative], Trade and Industry
- Permanent Secretary [or representative], Finance and Economic Planning
- Permanent Secretary [or representative], Agriculture
- Executive Director, Uganda Investment Authority
- Nominee, Uganda Manufacturers Association
- Nominee, Uganda Chamber of Commerce and Industry
- Nominee, Uganda Grain Exporters Association

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- Nominee, Uganda Horticulture Association
  - Nominee, Uganda Floriculture Association
  - Nominee, Uganda National Farmers Association
  - Executive Director, New Company

These promoters will decide on the name of the company. The name will be submitted to the Registrar of Companies for approval. Uganda Export Services Ltd. is an indicative name. Each promoter will undertake to contribute a nominal sum to the assets of the company estimated at Ush 1,000. This will serve as the "guarantee" of the company.

The promoters would elect, on an initial and annual basis, the Board of Directors of the organisation. It is strongly suggested that the initial Board be the Promoters.

#### *Articles for Incorporation*

The internal rules and regulations of the organisation will be contained in the Memorandum of Association and the Articles of Association drawn up by the promoters. These documents will be registered with the Registrar of Companies.

The *Memorandum of Association* will detail the objectives of the company. This will specify the nature of the organisation, i.e., an export support organisation to provide information and advisory services to the exporting community to further the growth of exports from Uganda.

It is recommended that the objectives of the organisation be crafted to maximise its flexibility to pursue varied approaches to promote non-traditional exports.

The internal organisational structure of the company will be drawn up in the *Articles of Association*. The composition of the Board and the powers and duties of the Directors will also be outlined. The voting procedures of the Board will be specified. The following principles must be followed:

- that the Promoters freely elect the Board of Directors;
- that the members of the Board of Directors freely elect one of the private sector members to serve as Chairman;
- that all Board decisions are made on a "one-man, one-vote" basis;
- that important matters -- such as amending the Articles or Memorandum of Association, admitting additional

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promoters -- require a two-thirds majority of Board members for passage;

- that the Board independently appoints an Executive Director on a competitive basis, directly supervises his or her activities, and sets his or her compensation package;
- that the Executive Director have the power to independently hire, compensate and discipline all staff of the organisation, subject to organisational policies.

Other matters that are dealt with in the Articles include: General Meetings of the Company; Borrowing Powers of the Company; Accounts and Auditing. In regard to the Accounts and Auditing, as Government will be a major funder of the company, it may be specified that the accounts will be audited by a private sector company chosen by the Auditor General.

#### *Funding Agreement*

Central to the operation of the company, and the control and public accountability of Government and donor funds which it uses is the mechanism of a legal Grant Agreement. The Government will enter into a grant agreement with the company detailing the following:

- The amounts of funding
- The time period for usage
- The programs to be funded
- Means of disbursement.

The Grant Agreement will be constructed so that the benefactors will have watertight accountability of their funds under the law.

In addition to the Government, the donors that will be supporting the program budget will also have a Grant Agreement with the company, drafted along similar lines as those of the Government agreement.

The matter of accountability and control of funds granted to the company should rightly be a matter of interest and concern to Government and donors. The mechanism of the legal grant agreement ensures that these funds are utilised correctly, in addition, the control and direction vested in the Board (with a mixed public and private sector), and the safeguards in the Articles of Association are formidable. The Study Team concludes that these safeguards taken together are sufficient to ensure proper control and accountability.

#### *Institutional Linkages*

The proposed new company requires strong linkages to other agencies, both public and private, working in the area of export

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development, and the attraction of direct foreign investment. The following mechanisms ensure the required linkages are in place;

**Board Membership.** Through this mechanism, linkages will be established with all relevant GOU ministries and agencies, and private sector associations. The list of suggested nominees above illustrates the strength of this coverage.

**Presidential Economic Council (PEC).** This is the highest forum nationally for the discussion of economic policy matters. As the growth and diversification of exports is a key national priority, it is necessary that the Executive Director of the new company have adequate access to this forum. At present there is debate in Uganda regarding changing the composition of PEC to include private sector views. In the opinion of the study team, the Executive Director should sit at PEC, if the composition changes it is vital that the head of a partnership organisation between private and public sectors, responsible for providing technical assistance to exporters, and for articulating export trade policy (on behalf of the private sector) to Government, is in a position to influence directly the proceedings of the Presidential Economic Council.

**Uganda Investment Authority.** This is the central organisation of Government in the attraction of direct foreign investment to Uganda. The majority of the investors in its pipeline have projects under consideration, which are export oriented. It is therefore of great importance that a coordinated coherent development policy be articulated by the two organisations. In this regard the Executive Director of the new company should be an ex-officio Board Nominee on the Uganda Investment Authority Board; and from the list of Board Nominees, it is suggested that the Executive Director of the Uganda Investment Authority is an ex-officio member on the Board of the new company. This will ensure the development of a consistent policy approval towards exporting activities by the two organisations. In addition, cross membership of technical "approvals" committees should also be considered.

After the organisation is established and has developed a strong constituency among private exporters, the possibility of shared facilities with the UIA should be pursued. This is most likely in the case of MIS data bases and other facilities, and shared overseas offices.

Finally, strong relationships should be established with the National Bureau of Standards, by way of a quarterly forum of Executive Directors and Deputy Directors of each organisation.

#### ***Funding and Budget***

The company will be funded by a combination of Government, private sector, and donor contributions.

Funding	<p><b>Government.</b> The Grant Agreement between the Government and the company should reflect a new legal provision (in the Finance Bill or some other appropriate mechanism), that a defined proportion of the cess on imports be automatically directed to the new company, without having to pass through the budget of a ministry. The amount will be the subject of negotiation following the approval of this strategy paper by the Ministry of Trade and Industry.</p> <p>It is further recommended that, over time, the cess on imports be placed on exports so that there is a direct link between the activities of the organisations, and the results of its actions (exports).</p> <p><b>Private Sector.</b> The private sector will contribute to the operations of the company by two methods, (a) the paying of service fees for the products of the organisation; and, (b) the paying of membership fees to the organisation. The phased increase in the contributions of the private sector will require agreement between Government and the private sector.</p> <p><b>Donor.</b> The provision of technical assistance to the preparation and start-up phase of the Implementation Plan, by the donor community is necessary. This will fall into two main categories (a) development of an exporter incentive regime, i.e., trade policy development and implementation, and (b) the provision of operational assistance to the new company.</p> <p>A single donor program would be ideal, however, if multiple donor input is required then it would be preferable to break down the interventions along the lines above. It is the current view of the MTI that the cess on imports would pay for the operational programs of the company, and that the promotional programs should be donor funded. In followup to the workshop, a methodology for funding the company must be agreed between all three parties.</p>
<i>Indicative Budget</i>	<p>While a detailed budget will be prepared as part of the envisaged activities in Phase 2 of the work program, an indicative Year 1 budget is detailed in Table 6.2. This is divided into two elements: Operating Budget and Programme Budget.</p>
Operating Budget	<p>This budget depicts direct operating costs, e.g., personnel, operating costs, and capital expenditures. The assumptions are as follows:</p> <ul style="list-style-type: none"> <li>■ there is need for a well-motivated and remunerated professional staff;</li> <li>■ this is a new organisation, to be located in new premises and that;</li> <li>■ the organization has no previous assets.</li> </ul>

**Table 6.2**  
**Proposed Annual Operating Budget**  
(US\$1 = Ush1,300)

<b>Budget Elements</b>	<b>Estimate (\$)</b>	<b>Estimate (Ush)</b>
<b>A. Personnel Costs (Schedule 1)</b>		
Personnel	\$454,680.00	591,084,000
<b>Sub-Total</b>	<b>\$454,680.00</b>	<b>591,084,000</b>
<b>B. Operating Costs (Schedule 1)</b>		
Office Supplies	\$64,229.50	83,498,350
Office Equipment	\$6,000.00	7,800,000
Vehicle Maintenance	\$29,200.00	37,960,000
Communications	\$21,000.00	27,300,000
Utilities, Rent, Repair	\$94,000.00	122,200,000
Insurance	\$26,500.00	34,450,000
Publications & Materials	\$8,500.00	11,050,000
Travel	\$30,000.00	39,000,000
<b>Sub-Total</b>	<b>\$279,429.50</b>	<b>363,258,350</b>
<b>Total (A+B)</b>	<b>\$734,109.50</b>	<b>954,342,350</b>
<b>C. Capital Expenditure (Schedule 2)</b>		
Equipment	\$230,450.00	299,585,000
Furniture	\$41,450.00	53,885,000
Audit & Legal Fees	\$10,000.00	13,000,000
<b>Sub-Total</b>	<b>\$281,900.00</b>	<b>366,470,000</b>
<b>GRAND TOTAL</b>	<b>\$1,016,009.50</b>	<b>1,320,812,350</b>

Schedule 1: Operating Costs					
	Number	Base (\$)	Total/Month (\$)	Total/Year (\$)	Grand Totals
<b>A. Personnel Costs</b>					
Board Members	11	\$50.00	\$550.00	\$6,600.00	
Executive Director	1	\$6,000.00	\$6,000.00	\$72,000.00	
Deputy Directors	2	\$3,000.00	\$6,000.00	\$72,000.00	
Manager	7	\$2,000.00	\$14,000.00	\$168,000.00	
Officers	8	\$1,000.00	\$8,000.00	\$96,000.00	
Secretaries	5	\$500.00	\$2,500.00	\$30,000.00	
Drivers	3	\$200.00	\$600.00	\$7,200.00	
Messengers	3	\$80.00	\$240.00	\$2,880.00	
<b>Total (A):</b>	<b>40</b>		<b>\$37,890.00</b>	<b>\$454,680.00</b>	<b>\$454,680.00</b>
<b>B. Operating Costs</b>					
<b>1. Office Supplies</b>					
Photocopy Paper	1000	\$8.00	\$8,000.00	\$8,000.00	
Typing Paper	50	\$10.00	\$500.00	\$500.00	
Carbon Paper	5	\$10.00	\$50.00	\$50.00	
Headed Paper	150	\$10.00	\$1,500.00	\$1,500.00	
Ruled Paper	20	\$12.00	\$240.00	\$240.00	
Memo Paper	100	\$10.00	\$1,000.00	\$1,000.00	
Memo Pads	200	\$2.00	\$400.00	\$400.00	
Writing Paper	200	\$2.00	\$400.00	\$400.00	
Message Paper	200	\$2.00	\$400.00	\$400.00	
Envelopes (Big)	5000	\$0.15	\$750.00	\$750.00	
Envelopes (Small)	4000	\$0.10	\$400.00	\$400.00	
Airmail Envelopes	1000	\$0.15	\$150.00	\$150.00	
File Covers	50	\$3.00	\$150.00	\$150.00	
File Folders	500	\$0.30	\$150.00	\$150.00	
File Cabinets	10	\$200.00	\$2,000.00	\$2,000.00	
File Fastners	500	\$0.03	\$15.00	\$15.00	
Miscellaneous			\$23,310.00	\$23,310.00	
Blue Pens (pieces)	200	\$0.15	\$30.00	\$30.00	
Red Pens (pieces)	100	\$0.15	\$15.00	\$15.00	
Black Pens (pieces)	50	\$0.15	\$7.50	\$7.50	
Markers (pieces)	50	\$2.00	\$100.00	\$100.00	
Pencils (pieces)	50	\$0.08	\$4.00	\$4.00	
Pins (boxes)	10	\$0.50	\$5.00	\$5.00	
Clips (boxes)	50	\$0.50	\$25.00	\$25.00	
Staples (boxes)	10	\$2.00	\$20.00	\$20.00	
Glue (bottle)	10	\$0.80	\$8.00	\$8.00	
Computer Ribbon	100	\$23.00	\$2,300.00	\$2,300.00	
Computer Papers	50	\$40.00	\$2,000.00	\$2,000.00	
Computer Diskettes	100	\$23.00	\$2,300.00	\$2,300.00	
Copier Toner	60	\$300.00	\$18,000.00	\$18,000.00	
<b>Sub-Total (1)</b>			<b>\$64,229.50</b>	<b>\$64,229.50</b>	

Schedule 1: Operating Costs					
	Number	Base (\$)	Total/Month (\$)	Total/Year (\$)	Grand Totals
<b>2. Office Equipment</b>					
Computers	14		\$5,000.00	\$5,000.00	
Photocopiers	3		\$800.00	\$800.00	
Typewriters	2		\$100.00	\$100.00	
Adding Machines	5		\$100.00	\$100.00	
Sub-Total (2)			\$6,000.00	\$6,000.00	
<b>3. Vehicle Maintenance</b>					
Fuel	5			\$15,000.00	
Service	5	\$120.00	\$600.00	\$7,200.00	
Licensing	5	\$200.00	\$1,000.00	\$1,000.00	
Tire Replacement	5	\$700.00	\$3,500.00	\$3,500.00	
Other Accessories	5	\$500.00	\$2,500.00	\$2,500.00	
Sub-Total (3)				\$29,200.00	
<b>4. Communications</b>					
Postage & Box Rental			\$2,000.00	\$2,000.00	
Telephone			\$12,000.00	\$12,000.00	
Fax			\$7,000.00	\$7,000.00	
Sub-Total (4)			\$21,000.00	\$21,000.00	
<b>5. Utilities/Rent</b>					
Electricity			\$3,000.00	\$3,000.00	
Water			\$1,000.00	\$1,000.00	
Office Accommodation			\$90,000.00	\$90,000.00	
Sub-Total (5)			\$94,000.00	\$94,000.00	
<b>6. Insurance</b>					
Vehicles	5	\$2,500.00	\$12,500.00	\$12,500.00	
Office Equipment			\$14,000.00	\$14,000.00	
Sub-Total (6)			\$26,500.00	\$26,500.00	
<b>7. Publications, Materials</b>					
Advertising			\$2,000.00	\$2,000.00	
Reports			\$2,000.00	\$2,000.00	
Publications			\$4,500.00	\$4,500.00	
Sub-Total (7)			\$8,500.00	\$8,500.00	
<b>8. Travel</b>					
Internal			\$10,000.00	\$10,000.00	
External			\$20,000.00	\$20,000.00	
Sub-Total (8)			\$30,000.00	\$30,000.00	
<b>Total (B)</b>					<b>\$279,429.50</b>
<b>Total (A+B)</b>					<b>\$734,109.50</b>

Schedule 2: Capital Expenditures					
	Number	Base (\$)	Total/Month (\$)	Total/Year (\$)	Grand Totals
<b>A. Equipment</b>					
Motor Vehicles	5	\$25,000.00	\$125,000.00	\$125,000.00	
Computers	14			\$72,000.00	
Typewriters	2	\$1,000.00	\$2,000.00	\$2,000.00	
Cutters	1	\$1,000.00	\$1,000.00	\$1,000.00	
Copiers	3	\$5,000.00	\$15,000.00	\$15,000.00	
Binders	2	\$2,000.00	\$4,000.00	\$4,000.00	
Adding Machines	5	\$200.00	\$1,000.00	\$1,000.00	
Printers	5	\$1,000.00	\$5,000.00	\$5,000.00	
Fax	1	\$5,000.00	\$5,000.00	\$5,000.00	
Telephones	3	\$150.00	\$450.00	\$450.00	
<b>Total (A)</b>				<b>\$230,450.00</b>	<b>\$230,450.00</b>
<b>B. Furniture</b>					
Executive Desk	3	\$1,400.00	\$4,200.00	\$4,200.00	
Office Desk	15	\$500.00	\$7,500.00	\$7,500.00	
Secretarial Desk	5	\$500.00	\$2,500.00	\$2,500.00	
Board Desk	1	\$2,000.00	\$2,000.00	\$2,000.00	
Executive Chairs	3	\$1,000.00	\$3,000.00	\$3,000.00	
Chairs	50	\$150.00	\$7,500.00	\$7,500.00	
Executive Sofa Set	3	\$750.00	\$2,250.00	\$2,250.00	
Shells	25	\$500.00	\$12,500.00	\$12,500.00	
<b>Total (B)</b>			<b>\$41,450.00</b>	<b>\$41,450.00</b>	<b>\$41,450.00</b>
<b>C. Other Costs</b>					
Audit & Legal Fees				\$10,000.00	
<b>Total (C)</b>				<b>\$10,000.00</b>	<b>\$10,000.00</b>
<b>Total (A+B+C)</b>					<b>\$281,900.00</b>

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**Personnel Costs.** It is envisaged that a total of 31 staff comprising of an Executive Director, 9 professionals, and required support staff will be hired initially, together with 11 BOD members (Estimated 11 seatings @ US\$50, or US\$454,680 per annum [Schedule 1].)

**Other Operating Costs.** These are costs associated with the provision of services to the exporting community during the course of 12 months. Such facilities normally include: office supplies, equipment, vehicle maintenance, rental for communication facilities, and utilities, insurance provisions, subscription for publications, and provision for travel. Operating costs are estimated at US\$279,429 per annum. (Schedule 1.)

**Capital Expenditure.** Considering that this is a new organisation without previous assets of its own, it will need to acquire equipment and furniture, all estimated to cost US\$271,900. A provision for other costs such as audit and legal fees is estimated at US\$10,000 per annum. (Schedule 2.)

**Programme Budget**

For convenience, operational programmes undertaken by the organisation have been divided into information services, promotions and advisory services, as shown in Table 6.3.

**Information Services.** Information services will consist of a walk-in centre and library equipped with facilities and capabilities to cater to a cross-section of exporters, potential exporters, and other interested parties. To service this clientele base, this unit will be equipped with reference materials, maintain data bases on overseas importers, market trends and general market outlook information and be able to commission specific market surveys. It is estimated that this capability should cost about US\$200,000 per annum.

**Promotions.** Promotions will involve support to teams of selected exporters to: (i) attend about five product-specific trade fairs; (ii) launch about 20 inbound trade missions; and, (iii) mount about three outward trade missions by Ugandan exporters. The cost is estimated at US\$245,000 per annum.

**Advisory Services.** Advisory services will involve holding about five training sessions to equip exporters with basic business concepts, provide customized advisory services and building capability to screen viable projects/sponsors and clientele data base. In addition, this division will design and articulate projects for possible donor funding. These activities are expected to cost US\$245,000 per annum.

**Table 6.3**  
**Proposed Annual Programme Budget**  
**(US\$1 = Ush1,300)**

<b>Budget Elements</b>	<b>Number</b>	<b>Rate</b>	<b>Estimate (\$)</b>	<b>Estimate (Ush)</b>
<b>A. Information Services</b>				
Reference Materials			\$20,000.00	26,000,000
Data bases			\$30,000.00	39,000,000
Market Information			\$50,000.00	65,000,000
Market Surveys			\$100,000.00	130,000,000
<b>Sub-Total</b>			<b>\$200,000.00</b>	<b>260,000,000</b>
<b>B. Promotions</b>				
Trade Fairs	5	\$25,000.00	\$125,000.00	162,500,000
Outward Trade Missions	3	\$20,000.00	\$60,000.00	78,000,000
Inward Trade Missions	20	\$3,000.00	\$60,000.00	78,000,000
<b>Sub-Total</b>			<b>\$245,000.00</b>	<b>318,500,000</b>
<b>Total (A+B)</b>			<b>\$445,000.00</b>	<b>578,500,000</b>
<b>C. Advisory Services</b>				
Basic Business Skills	5	\$5,000.00	\$25,000.00	32,500,000
Export Evaluation of Clients	100	\$2,000.00	\$200,000.00	260,000,000
Documentation/Material		\$20,000.00	\$20,000.00	26,000,000
<b>Sub-Total</b>			<b>\$245,000.00</b>	<b>318,500,000</b>
<b>GRAND TOTAL</b>			<b>\$690,000.00</b>	<b>897,000,000</b>

## **Workshop on Draft Report**

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### **Introduction**

In the draft report, which was circulated in December 1993, the necessity to hold a workshop in Kampala to discuss the various legal framework options considered by the Study Team was stressed. In particular, given that the recommended legal framework option represented a novel institutional departure for Uganda, it was the view of the Study Team that a mechanism for debate and consensus building was appropriate.

During the period December 1993/January 1994 extensive consultations took place with both private and public sector individuals and institutions in order to develop a suitable format which would maximize interaction and serious consideration of the subject matter. Figure 7.1 outlines the workshop format decided upon. This format was designed to allow the study team to review the draft report with delegates, followed by periods for plenary discussion by the entire group and breakout sessions. A final plenary discussion was scheduled to end the workshop. (See Figure 7.2 for list of delegates.)

Specifically, the objectives of the workshop were:

- To determine the reaction of the delegates to the recommended (a) functional structure (organization chart), (b) legal framework, and (c) implementation plan for the new organization.
- To reach consensus on a particular model for the proposed new organization. The involvement of the private sector exporting community in this consensus was considered vital for eventual success.

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### **Report on Proceedings**

#### ***Opening of Workshop***

The Honourable Richard H. Kaijuka, Minister of Trade and Industry, formally opened the workshop. During his address he stressed the importance that the GOU enact measures to assist export growth and diversification, and reminded delegates of details of the National Export Development Program, recently formulated by a ministerial sub-committee under his Chairmanship. The Program consists of six major components as follows:

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1. **Financial Support**

This component will implement an effective mechanism for the provision of export financing, in particular pre-shipment financing. It is planned to redesign the current Bank of Uganda scheme, which is currently not accessible to the majority of non-traditional exporters.

2. **Enterprise Support**

This component will provide direct technical assistance to emerging exporters to penetrate overseas markets. Assistance will be in the form of:

- A Trade and Market Information Service.
- An Exporter Assistance Fund to provide partial grants for start-up export activities.
- A scheme to coordinate the development of high-value agricultural products.
- A national exporter training program.

3. **Infrastructural Support**

An extensive program of infrastructural support to include:

- The development of rural storage facilities
- The development of an efficient transport system
- Reliable utilities
- An efficient and affordable telecommunication service
- An efficient packaging industry
- Suitable cold storage facilities

4. **Trade Policy Regime**

Given the intention of Government that exporters from Uganda be on equal footing with competitors, the relevance and effectiveness of schemes such as duty drawback, duty waivers, production under bonded facilities, etc., will be continuously reviewed.

5. **Research Support**

The program will support research in the development of exportable products through a number of institutions including the following:

- National Agricultural Research Organization
- Food Technology and Ceramics Research Institute

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## **6. Institutional Support**

The program will provide support for manpower development, restructuring and equipping of:

- Uganda Export Promotion Council
- Uganda National Bureau of Standards
- Uganda Investment Authority
- Directorate of External Trade (MTI)
- Private sector industry associations
- Ministry of Tourism, Wildlife and Antiquities

Turning to the workshop agenda, the Honourable Minister stressed that "the establishment of an effective export promotion agency is of paramount importance in the implementation of the National Export Development Program, and Government's commitment is demonstrated by its decision to provide a 1 percent import levy to institutions supporting the export drive".

Prior to formally opening the workshop the Honourable Minister thanked USAID for playing a central role in assisting the development of non-traditional exports from Uganda, and for funding this study and workshop.

### ***Draft Report Presentations***

The study team proceeded to make presentations on the details of the draft report. All aspects except the Implementation Plan were presented, as it was felt by the majority of delegators that this could await the outcome of the deliberations regarding the structure and legal framework of the proposed new organization.

### ***Plenary Discussion***

The initial plenary discussion decided as follows:

- (a) The proposed functional structure as presented by the Study Team was accepted.
- (b) The major issue to be decided was the Legal Framework. To allow time to fully address this topic, the breakout groups detailed in the workshop agenda were cancelled.

The discussion on the legal framework proceeded in a lively fashion, with most delegates making contributions and interventions. The workshop decided as follows:

- (c) That the Board structure in terms of public/private sector balance, as presented by the Study Team was accepted. The Board size should be kept manageable, with 11 members, consisting mostly of private sector

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representatives from the major trade associations. There should be 4 public sector representatives and 7 private sector representatives.

- (d) That representatives of Permanent Secretaries rather than Permanent Secretaries should be the Board members. During the discussion many delegates expressed that from their experience Permanent Secretaries generally were extremely busy, and unable to attend to Board duties, as proposed by the Study Team.
- (e) That the Board would elect a Chairman from among its members; a private Ugandan businessperson with practical export experience.
- (f) That the Executive Director would be appointed solely by the BOD who will supervise his or her activities.
- (g) That the Executive Director would have full powers to independently hire, compensate, discipline and fire staff, in accordance with the guidelines of the organization.
- (h) That Options A and C for the legal framework were not due serious consideration, and should be discarded. This was the recommendation of the Study Team.

#### *Options B and D*

The discussion singularly centred around the two remaining options for the legal framework for the new organization.

Option D, the private body (limited by guarantee company) with public sector participation, which was the recommended option of the Study Team, was considered the best option by the majority of the private sector delegates. However it was felt by a minority of these delegates that the private sector would not make the financial commitment necessary for this option to work, owing to the nascency of private sector exporting companies and associations in Uganda.

Option B, the revised public statutory body, was the considered preference by the majority of the public sector delegates. The argument was repeatedly made that the UEPC had never being properly funded or staffed, and in fact, with appropriate structures for autonomy in operations in place, the organization would perform as intended.

The consensus at the close of the discussion was that Option B was the most workable and implementable option in Uganda at this point

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In time, but that it should be regarded as a beginning of an evolutionary process toward Option D, when the private sector would become stronger, more organized, and capable of playing a central role in the funding of such an institution.

***Implementation Plan***

The original Implementation Plan (pertaining to Option D) was presented. The delegates accepted this, noting that certain changes would be required if Option B were executed.

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**Summary & Conclusions**

The objectives of the workshop were well met. A large cross section of the private and public sector attended. The majority of the important private sector exporters of non-traditional products was either in attendance or represented. The issues were considered in a professional manner, and decisions were taken.

The paramount point emerging was the urgent need to put in place an effective institution to perform the role of foreign trade promotion for Uganda.

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**Figure 7.1**  
**Workshop Agenda**

**Design of an Export Promotion  
Service Organisation for Uganda**

**16 February 1994**

9.00 a.m.	Opening of Workshop	Minister of Trade & Ind.
9.15 a.m.	Introduction	Mr. N. Waniale (EPADU)
9.30 a.m.	<b><u>PRESENTATION OF DRAFT REPORT</u></b>	
	PART 1-	9.30-10.15 Mr. Hugh Doyle (MTI) - The Development of a functional Structure.
	PART 2-	10.15-11.00 Mr. Kishore Rao (TSG) - The Recommended Legal framework
11.00 a.m.	<b>COFFEE BREAK</b>	
11.30 a.m.	PART 3 -	11.30-12.00 Mr. D. Ssengoba - Legal operation of proposed organization.
	PART 4 -	12.00-12.30 Mr. N. Waniale Conditions and implementation Plan.
12.30 p.m.	Description of Group Session (Groups A,B,C) in afternoon.	
12.45 p.m.	<b>LUNCH BREAK</b>	
2.00 p.m.	<b>GROUP SESSIONS</b>	
	Group A -	The suitability of the proposed Functional Structure
	Group B -	The suitability of the proposed legal framework
	Group C -	The suitability of the proposed implementation plan.
3.00 p.m.	<b>Group Reports -</b>	
	3.00 - 3.20 p.m.	Group A
	3.20 - 3.40 p.m.	Group B
	3.40 - 4.00 p.m.	Group C
4.00 p.m.	<b>COFFEE BREAK</b>	
4.30 P.M.	Final Plenary Discussion (Mr. N. Waniale)	
5.00 p.m.	Closing of Workshop	

**Figure 7.2**  
**List of Workshop Attendees**

1. Mr. P. Banya	Uganda Manufacturers Association
2. Dr. W. Kalema	Uganda Manufacturers Association
3. Mr. A. Baryaraha	Uganda Manufacturers Association
4. Mr. A. Seekalala	Uganda Manufacturers Association
5. Mr. S. Kibuka	Victoria Fish
6. Mr. H. Ochen	Lagora Holdings
7. Permanent Secretary	Ministry of Trade and Industry
8. Mr. J. Muhwezi	Ministry of Trade and Industry
9. Mr. Jayal	Ministry of Trade and Industry
10. Mr. H.P. Doyle	Ministry of Trade and Industry
11. Mr. G. Bayer	United States Agency for Int. Development
12. Mr. J. Dunn	United States Agency for Int. Development
13. Mr. J. Cartwright	Export Policy Analysis Development Unit
14. Dr. Tuan	Export Policy Analysis Development Unit
15. Prof. Ochieng	Export Policy Analysis Development Unit
16. Mr. N. Waniala	Export Policy Analysis Development Unit
17. Mr. I. Kwanya	United Nations Development Program
18. Mr. G. Jones	Uganda Grain Exporters Association
19. Mr. Karim Somanl	Uganda Grain Exporters Association
20. Mr. R. Rutagira	Uganda Marketing Association
21. Mr. Kato	Uganda Marketing Association
22. Mr. Tibakunze	Uganda Marketing Association
23. Mr. H. Nyakoojo	Uganda Export Promotion Council
24. Mr. S. Ojakol	Uganda Export Promotion Council
25. Mr. A. Lessard	Uganda Investment Agency
26. Mr. S. Ssemanda	Ministry of Finance & Economic Planning
27. Mr. K. Muhakanizi	Ministry of Finance & Economic Planning
28. Mr. Kibalama	Uganda Horticultural Association
29. Haji Tezikuba	Uganda Horticultural Association
30. Mr. J. Luswata	Uganda Horticultural Association
31. Mr. Abaine	Uganda Co-operative Alliance
32. Mr. Kishore Rao	The Services Group
33. Mr. D. Ssengoba	Ssengoba Advocates
34. Mr. J.M. Muwanga	Ministry of Agriculture
35. Ms. A.F. Luziraa	Ministry of Energy
36. Haji. Bunkeddeko	Chamber of Commerce & Industry
37. Mr. G. Rujojo	Chamber of Commerce & Industry
38. Mr. Kibirige-Sebunya	Kawanda Research Station
39. Mr. L. Iga	Kawanda Research Station
40. Mr. D. Musoke	New Vision
41. Mrs. H. Ssali	Uganda Floriculture Association
42. Dr. Robina Ssonko	Uganda Floriculture Association
43. Mr. Kabatereine	Ministry of Finance & Economic Planning
44. Dr. Kasirya Alemu	Uganda National Bureau of Standards
45. Mr. Robert Book	Boston (Uganda) Ltd.
46. Ms. B. Kasimbazi	Ministry of Trade & Industry
47. Mr. Moses Wesonga	Ministry of Trade & Industry
48. Mr. Vincent Mayiga	Ministry of Trade & Industry
49. Mr. J. Ndyabagye	Uganda Silk Producers Association
50. Mr. K. Mugenyi	Uganda Silk Producers Association
51. Mr. Kitamirika	Uganda Silk Producers Association
52. Dr. I. Nyiri	ITC/UNCTAD/GATT
53. Mr. F. Muganwa	President's Office
54. Mr. E. Niyongira	Uganda Pharmaceuticals Ltd.
55. Mrs. D. Katusime	Ministry of Trade & Industry

## Trade Policy Regime

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The package of promotional services outlined in the previous sections are unlikely to be successful in the absence of a comprehensive package of export incentives to enhance the competitiveness of Ugandan exporters. Three decades of experience with export promotion efforts worldwide have clearly demonstrated the marginal impact of such services without supportive trade and investment policies. As discussed further, despite considerable reforms, the economic environment in Uganda is characterized by significant anti-export bias which is likely to erode the effectiveness of any export promotion drive.

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### Impact of Economic Liberalisation Efforts

Recent economic policy reforms undertaken by the GOU have gone a long way in removing major obstacles to trade and export expansion. The most important policy enhancements include the following:

- macro-economic stabilization including maintenance of a real effective exchange rate, and prudent monetary policy resulting in a low inflation and declining interest rates;
- liberalisation of foreign exchange access through introduction of foreign exchange bureaux, establishment of an auction system for commercial banks and bureaux, and imminent establishment of an inter-bank forex market;
- simplification of trade procedures and policies through replacement of export and import licenses with certificates, introduction of import and export "negative lists," lowering average direct and indirect tax and tariff rates, and rationalisation of the tax structure; and,
- liberalisation of investment policies by enactment of the investment code, establishment of the UIA, and repeal of the Industrial Licensing Act.

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Additional actions taken include reforming and strengthening the financial sector; deregulating prices, abolishing monopolies and undertaking privatisation and civil service reform programmes. These efforts have facilitated the entry and expansion of private firms and created a more "level playing field."

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### **Anti-Export Bias of Trade and Investment Policies**

Despite these considerable reforms, existing trade and investment policies in Uganda contain significant anti-export bias which favours production for the domestic market over export activities and reduces the overall competitiveness of Ugandan exporters. A recent assessment of trade and investment policies<sup>6</sup> in Uganda indicated high rates of nominal and effective protection on many products, particularly for industrial goods. The anti-export bias and reduced competitiveness of Ugandan exporters is derived from numerous factors including:

- high tariffs on intermediate and final good imports which provide significant protection for domestic market manufacturers;
- import bans and quantitative restrictions which provide massive protection to import-substitution manufacturers of the specific products;
- duty exemptions on capital goods, industrial and agricultural inputs and industrial raw materials for both domestic- and export-market activities, which favour the former over the latter;
- an over-valued exchange rate reducing returns to exporters in favour of importation and import-substitution production;<sup>7</sup> and,
- a cascading indirect tax structure (sales tax imposed at each stage of manufacturing process which raises product prices to uncompetitive levels), combined with a non-functioning mechanism for refunding the duties and indirect taxes on exports.

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<sup>6</sup> Maxwell Stamp PLC, "Study of the Effectiveness of Policies, Facilities and Incentives for Investment Promotion," June 1993.

<sup>7</sup> The current over-valuation of the Uganda Shilling is likely to diminish as the new inter-bank foreign exchange system is implemented, and a unified, real effective exchange rate is determined by the marketplace. However, this will depend on capabilities of commercial banks and foreign exchange bureaux to participate in the new system, and the willingness of the Bank of Uganda to refrain from controlling trading by restricting domestic liquidity and other means.

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The net result is that it is far more profitable in Uganda today to import products or produce products for the domestic market, than to embark on the less profitable (and more risky) route of exports.

Ugandan exporters are further handicapped by bureaucratic procedures, infrastructure deficiencies and the lack of "equal footing" export schemes. Customs practices are particularly onerous and time-consuming, including 100 percent inspections of import and export shipments, need for tax clearance certificates to receive export certificates, evidence of physical exportation to receive duty and indirect tax rebates. Infrastructure deficiencies include the lack of developed land and industrial buildings, inadequate airport facilities and post-harvest storage and handling facilities; high transport costs and poor transport services. These factors are compounded by the relative lack of equal footing export schemes, and the poor implementation of the few schemes that do exist. Existing schemes include a duty drawback mechanism that is cumbersome and effectively non-functioning; an export credit guarantee scheme administered by the Bank of Uganda which is not being used due to red tape and onerous requirements; and a bonded warehouse scheme discriminating against small and indirect exporters.

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#### Critical Elements of an Export Incentives Package

The major reason for the formulation of a comprehensive package of incentives for Ugandan exporters is to enhance their competitiveness on world markets. While import substitution manufacturers serve a captive market with little price competition, export producers must be competitive enough to compete internationally. Since the effect of import restrictions and other barriers is to implicitly tax export production, there is a need to remove disincentives and counterbalance other measures in order to place export manufacturers in Uganda on an equal footing with their competitors operating in market-oriented economies with relatively free-trade status.

While there are a large number of possible measures, it is critical that specific schemes be designed for several groups of exporters: wholly export-oriented producers (those selling at least 80 percent to the export market); partial exporters (companies seeking to produce mostly for the local market, with a residual amount for export); indirect exporters (those selling inputs to direct exporters or purchasing and re-exporting finished goods of firms); and small enterprise exporters. The objective of these measures should be to confer "free trade status" to exporters, defined as a flexible and realistic exchange rate, free trade in all inputs and outputs, automatic access to finance at world market interest rates, competitive primary input markets, and non-discriminatory domestic taxes. Possible measures and an implementation programme are outlined in the next section.

## Implementation Programme

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### Overview of Phases

This section outlines an ambitious but pragmatic program for the establishment of an effective and workable export support service organisation for Uganda.

#### *Phase 1: Approvals and Consensus Building*

This phase is designed to establish a working agreement among the GOU, private sector and donors on the nature and structure of the new organisation. Following consultations, this phase will result in the securing of requisite GOU approvals, and will end with a budgetary commitment from the GOU and the private sector to fund the activities of the organisation.

#### *Phase 2: Preparation*

This phase is the detailed planning for start-up of the new organisation, consisting of three separate, but related activities. These will be: (a) detailed preparation of the organisation structure and staffing; (b) development of a parallel exporter incentives package; and, (c) preparation of a donor support project(s) for both the programmes of the organisation, and implementation of the exporter incentives package developed.

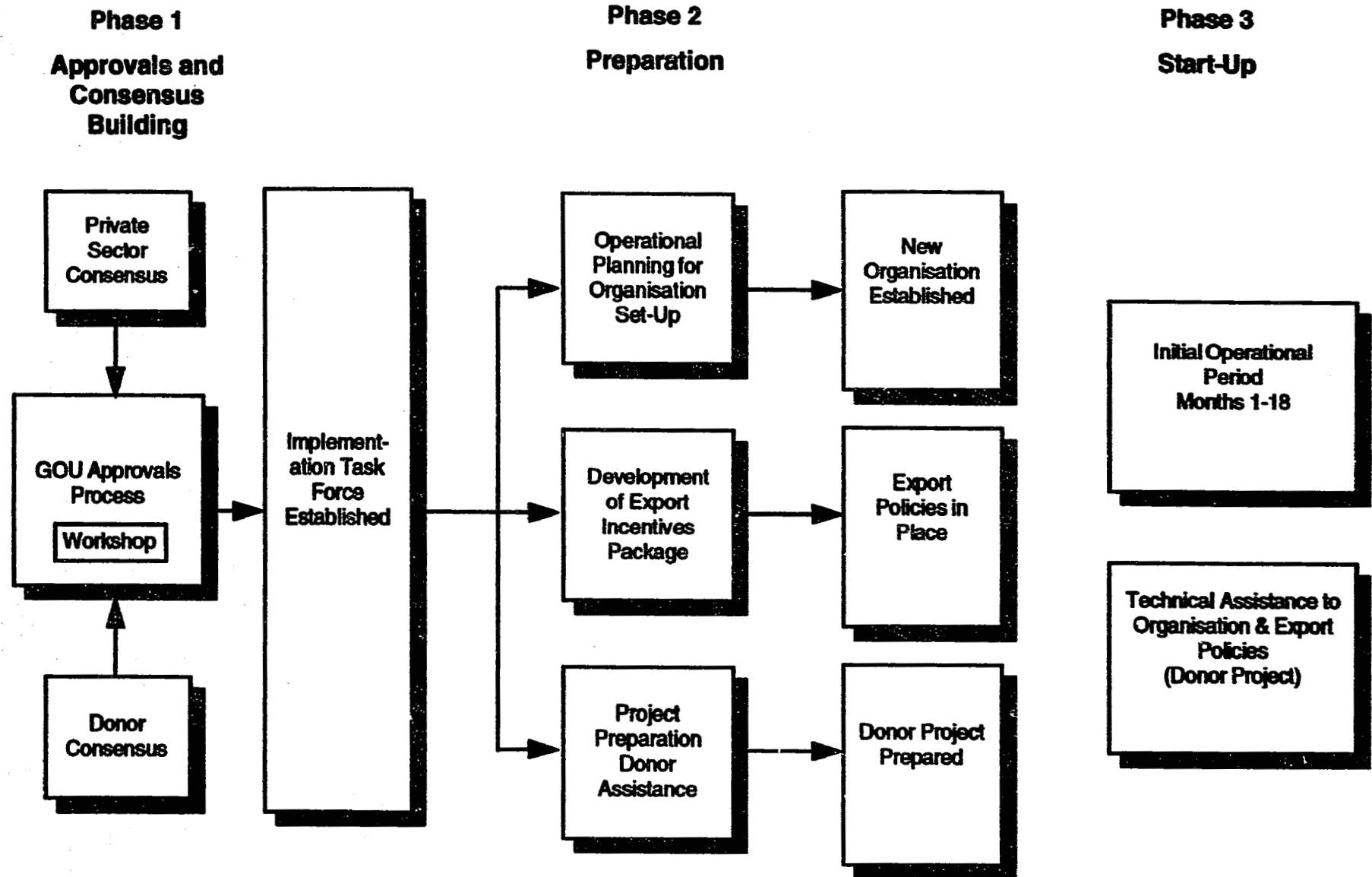
#### *Phase 3: Start-Up*

This phase will launch the new organisation, test its systems, and begin the long-term donor assistance project(s). The detailed implementation guidelines for the export policy and procedures changes, recommended in Phase 2, will be drawn up and implemented.

Figure 9-1 depicts the overall flow of the three implementation phases. Each of the phases is organised into three work components:

- Organisation Planning. All programming and planning concerned with the operations of the new organisation.
- Export Policy. The planning and implementation of the recommended package of exporter incentives, necessary to put in place an "equal footing regime" for exporters, vis-a-vis import substitution activities.
- Donor Projects. The development and implementation of a package of single or multiple donor support projects for the Preparation and Start Up phases of the organisation.

**Figure 9.1**  
**Implementation Plan Flow Diagram**



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The recommended activities and key actors in programme design and implementation are graphically depicted in the Implementation Plan (Figure 9.2) on the following pages, and the detailed concrete and sequential of the Implementation Plan are described below. The following discussion is intended to be read with reference to Figure 9.2.

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## **Phase 1 Activities**

Phase 1 consists of several sequential activities to be undertaken during the first quarter of 1994:

- 1. Hold Consensus Building Workshop.** The newness of the recommended option in the Uganda environment demands that a consensus mechanism be rapidly put in place to allow all parties (GOU, private sector, donors) to become totally familiar with the underlying concepts and the operationalisation of the organisation. We propose that a high-level workshop be held in Kampala for representatives of major ministries and private sector business groups. This forum will review the substantial international experience with TPOs, discuss alternative approaches, and review the proposal outlined in this study. The venue will provide the opportunity for the private and public sectors to articulate their views clearly, and try to reach an operating agreement.
- 2. Finalise Strategy.** Following the workshop recommendations the MTI will finalise the overall strategy document for presentation to PEC and Cabinet.
- 3. Approve Structure and Programme.** The Ministry of Trade and Industry will obtain PEC and Cabinet approval. In consultation with the MFEP, the MTI will obtain a multi-year budgetary commitment for the organisation, and establish the means for the organisation to be directly funded by the cess.
- 4. Obtain Donor Support.** Following the approval and budgetary commitment, the donor community will be requested formally to put in place project support for both operational programmes, and trade policy reform studies and implementation projects. This support is intended to cover the 18-month Start Up, as well as, provision of technical assistance to undertake the Preparation Phase.
- 5. Obtain Private Sector Financial Commitments.** Central to the development of this new institutional structure is the financial commitment of the private sector. A contribution to the operational expenses of the organisation is vital to ensure a partnership between Government and private sector. Agreement on the phased contribution over a 10-year period is necessary at this stage.

**Figure 9.2**  
**Implementation Plan for New Uganda Export Promotion Council**

Activity	Organisation	STEPS FOR PHASE 1: APPROVALS AND CONSENSUS-BUILDING STAGE	
		1st Quarter 1994	
1. Finalise Strategy	MTI	Hold consensus building workshop	Finalise strategy
2. Approve Structure and Program	MTI, PEC, Cabinet	Approve strategy document and budget commitment	
3. Obtain Donor Support	MTI, Donors	Obtain support from USAID, World Bank, other donors	
4. Obtain Private Sector Commitments	MTI, Business Associations		
5. Establish Implementation Taskforce	MTI, Private Sector, Others	Establish implementation taskforce	

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**Figure 9.2**  
**Implementation Plan for the New Uganda Export Promotion Council**

Activity	Organisation	STEPS FOR PHASE 2: PREPARATION STAGE	
		2nd Quarter 1994	3rd Quarter 1994
<b>Operations</b>			
1. Undertake Detailed Organisational Planning	Taskforce, Consultants	Establish institutional and legal basis	Prepare Standard Operating Procedures Manual
2. Prepare Strategic Plan for Organisation	Taskforce, Consultants	Prepare initial strategic plan	
3. Approve Strategic and Organisation Plans	Taskforce, MTI, MFEP		Approve strategic plan, articles and memorandum of association
4. Operationalise Organisation	Taskforce		Hire staff, procure premises, lease or purchase equipment
<b>Policy Development</b>			
5. Conduct Export Policy Studies	Taskforce, Consultants, MFEP	Conduct 'equal footing and EPZ export policy studies	Draft export policy legislation
6. Develop Export Incentives Package	MFEP, PEC Taskforce		Review & finalise policy recommendations
			Announce incentives in 1994 Budget
<b>Donor Project</b>			
7. Prepare Long-Term Technical Assistance Project	Donors	Undertake project identification study	Prepare project paper/ staff appraisal report
			Approve 2-3 year project document

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**Figure 9.2**  
**Implementation Plan for the New Uganda Export Promotion Council**

Activity	Organisation	STEPS FOR PHASE 3: START-UP STAGE (18 MONTHS)		
		4th Quarter 1994		
<b>Operations</b>  1. Launch New Organisation	Taskforce, Other GOU, Donors	Start operations of new body & appoint Board	Test operational systems and internal procedures	Organisation initiates full operations & services
<b>Policy Development</b>  2. Implement Export Incentives Package	Taskforce, MFEP, MTI, Consultants	Draft implementing regulations, forms, and guidelines for operationalisation of EPZ and other export schemes  Conduct study on export procedures constraints	Set-up and/or strengthen GOU body to operationalise export schemes  Initiate sub-projects in identified areas to simplify export & import procedures	
<b>Donor Project</b>  3. Provide Technical Assistance to Support Export Policy Implementation	Donors	Commence Phase I (18 months) of project to provide specialised short- and long-term technical assistance for program support for the export organisation and implement export policy operationalisation		

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**6. Establish Implementation Task Force.** A task force, jointly between the GOU and private sector will be established to oversee the entire Preparation Stage. This task force will consist of five individuals, three nominees of private sector associations, and two nominees from the MTI and MFEP. The Chairman will be elected by the task force members, from among the private sector members.

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## **Phase 2 Activities**

### *Operations*

**1. Undertake Detailed Organisational Planning.** This first step in the preparation phase will (a) determine the sequential steps to be taken to establish the legal entity (b) prepare final details of the recommended staffing and structure, including drafting of the Articles and Memorandum of Association and Grant Funding Agreement, and (c) prepare the operating procedures manual which will outline the job descriptions of each position, the candidate profiles, and the operational procedures of the organisation. This activity will be undertaken with donor provided technical assistance.

**2. Prepare Strategic Plan.** Proceeding in the same time frame as the actions discussed immediately above, the first strategic plan of the organisation will be prepared. This will be for the Start Up phase, and will contain details of the entire operational programs, the objectives, evaluation criteria, and budgetary allocation by division and unit.

**3. Approve Strategic and Organisation Plans.** The output from the above tasks 1 and 2 will be approved by the task force, including the Articles and Memorandum of Association of the company.

**4. Incorporate Organisation** The company is legally incorporated in Uganda, under the Companies Act.

### *Policy Development*

**5. Conduct Export Policy Studies.** The two pivotal studies to establish the requisite trade policy environment are the "Exporter Incentives Study" and "Export Processing Zone Study" currently being planned under the World Bank Export Promotion and Development Project. These studies will evaluate existing export schemes and to design a comprehensive package of export incentives. Possible incentives include:

- export processing zones or bonded manufacturing warehouse schemes benefitting wholly export-oriented producers;
- duty drawback or duty exemption schemes to provide inputs tax- and duty-free for partial and indirect exporters; and,

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- common bonded warehouse and other schemes for smaller exporters.

These can be supported by a variety of "performance-based" incentives automatically availed of through the tax code, offering income tax deductions or credits linked to export value; export marketing expenses; research and development; employment generation; new and reinvestment, and other objectives. A functioning export credit guarantee and insurance scheme and other export finance measures are a necessary supplement to ensure that exporters receive credit at world market interest rates. It is estimated that these two studies will take three months to plan and complete. As a result of the study recommendations, a set of revised legislative proposals will be drafted for PEC and Cabinet approval.

**6. Develop Export Incentives Package.** The package of policy recommendations will have major implications for budgetary policy, and therefore a policy dialogue will need to be undertaken within the GOU to determine the acceptability of the proposals, and to decide the strategy of introduction. Following review of the proposals, introduction strategy and required legislative actions, the package should be announced in the 1994 budget.

#### *Donor Projects*

**7. Prepare Long-Term Technical Assistance Project.** The new organisation will require donor support for its programs. It is the aspiration of the MTI that the operational recurring costs will be met from the cess, and that donor support will be forthcoming for start-up costs, and the ongoing export development programs for the start-up period of 18 months. Also, a number of key long term advisors will be required for this period. This project(s) will require a component on operations as described above, and a component to support the study, development and implementation of the recommended export policy reforms.

Whether this is a single or multiple donor effort the same steps must be undertaken, i.e. a Project Identification Document must be prepared by a team of consultants and appraised internally by the donor(s) for approval and funding commitment. The process will commence immediately upon donor(s) commitment to support the new organisation. The donor project(s) are scheduled to begin at the start of the 4th Quarter 1994, coinciding with the launch of the new organisation.

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#### **Phase 3 Activities**

##### *Corporations*

**1. Launch New Organisation.** The organisation will be formally launched on the 1st of October 1994. Operations will commence, and

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the Board will have its inaugural meeting. The 4th Quarter will be used to test the operational systems and internal procedures.

It is expected that by January 1995, a smooth efficient organisation will be in place. The presence of expert advisors will assist greatly in this process, and the team must be chosen with care to ensure the presence of experience in organisational development in the field of export supply service institutions.

#### *Policy Development*

**2. Implement Export Incentives Package.** The implementation of this detailed package will be complex and time consuming.

The development of regulations, forms, and procedures for the operationalisation of new and revised export incentive schemes will require specialised expertise.

The Government bodies which will be responsible for administering these schemes will need help in implementation. They may also require support for long-term institutional strengthening to ensure efficient export policy implementation.

Finally, the identification of bottlenecks in import and export procedures may reveal a need for a detailed set of sub-projects to prepare solutions at operational levels in customs, drawback, licensing, border posts, banks and other Government and non-government institutions involved in the processing of trade documentation.

#### *Donor Projects*

**3. Technical Assistance Project(s).** The single or multiple donor project effort to assist start up of the new organisation will commence from 1st January 1994. All Preparation Phase technical assistance prior to this will be programmed by donors through preparation or other facilities currently available to them.

As stated above, the assistance required and recommended by the Study Team is two-fold, Operations and Policy. The development of the project(s) will be undertaken by donor(s) in conjunction with the Implementation Task Force.

This suggested programme of activities outlines an ambitious, but achievable work program to ensure the rapid implementation of an effective export services organisation.